SHENANDOAH TELECOMMUNICATIONS CO/VA/
Form 10-K
February 26, 2016

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K
(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from__________ to __________

Commission File No.: 000-09881

SHENANDOAH TELECOMMUNICATIONS COMPANY
(Exact name of registrant as specified in its charter)

VIRGINIA	54-1162807
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 Shentel Way, Edinburg, Virginia	22824
(Address of principal executive offices)	(Zip Code)

(540) 984-4141 (Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Common Stock (No Par Value)	NASDAQ Global Select Market
(Title of Class)	(Name of Exchange on which Registered)

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant at June 30, 2015 based on the closing price of such stock on the Nasdaq Global Select Market on such date was approximately $760,000,000.

The number of shares of the registrant's common stock outstanding on February 17, 2016 was 48,536,793.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2016 annual meeting of shareholders (the "2016 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2016 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

SHENANDOAH TELECOMMUNICATIONS COMPANY

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words “may,” “will,” “anticipate,” “estimate,” “expect,” “intend,” “p “continue” and similar expressions as they relate to us or our management are intended to identify these forward-looking statements. All statements by us regarding our expected financial position, revenues, cash flow and other operating results, business strategy, financing plans, forecasted trends related to the markets in which we operate and similar matters are forward-looking statements. Our expectations expressed or implied in these forward-looking statements may not turn out to be correct. Our results could be materially different from our expectations because of various risks, including the risks discussed in this report under “Business” and “Risk Factors.”

3

Table of Contents

PART I

Some of the information contained in this report concerning the markets and industry in which we operate is derived from publicly available information and from industry sources. Although we believe that this publicly available information and the information provided by these industry sources are reliable, we have not independently verified the accuracy of any of this information.

Unless we indicate otherwise, references in this report to “we,” “us,” “our,” “Shentel” and “the Company” means Shenandoah Telecommunications Company and its subsidiaries.

ITEM 1. BUSINESS

Overview

Shenandoah Telecommunications Company is a diversified telecommunications holding company that, through its operating subsidiaries, provides both regulated and unregulated telecommunications services to end-user customers and other telecommunications providers in Virginia, West Virginia, central Pennsylvania and western Maryland. The Company offers a comprehensive suite of voice, video and data communications services based on the products and services provided by the Company’s seven operating subsidiaries.

Pending Acquisition of nTelos and Related Transactions

On August 10, 2015, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Gridiron Merger Sub, Inc., our wholly-owned subsidiary (“Merger Sub”), and NTELOS Holdings Corp. (“nTelos”), pursuant to which, subject to certain conditions, at the effective time of the Merger (as defined below), Merger Sub will merge with and into nTelos, with nTelos surviving the merger as our wholly-owned subsidiary (the “Merger”).

In connection with the Merger, on August 10, 2015, Shenandoah Personal Communications, LLC, our subsidiary (“PCS”), and SprintCom, Inc. (“SprintCom”), an affiliate of Sprint Corporation, entered into a Master Agreement (the “Master Agreement”) and, along with certain affiliates of Sprint Corporation, entered into Addendum XVIII to the Sprint PCS Management Agreement (the “Affiliate Addendum”). The closing of the transactions contemplated by the Master Agreement and the effectiveness of certain provisions of the Affiliate Addendum (the “Sprint Transactions”) will occur simultaneously with, and are conditioned upon, the consummation of the Merger.

We expect the Merger and the Sprint Transactions to close at the end of the first quarter, or the early part of the second quarter, of 2016. The description of the Company’s business set forth below reflects the operations of the Company prior to the completion of the Merger and the Sprint Transactions.

Operating Segments

The Company provides integrated voice, video and data communications services to end-user customers and other telecommunications providers. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker. The Company has three reportable segments: (1) Wireless, (2) Cable, and (3) Wireline; and a fourth segment, Other, which primarily consists of parent company activities.

Wireless Segment

The business of the Wireless segment is conducted principally by the Company’s subsidiary, PCS. As a Sprint PCS Affiliate of Sprint Communications, Inc. (“Sprint”), this subsidiary provides digital wireless service to a portion of a four-state area extending from Harrisburg, York and Altoona, Pennsylvania, to Harrisonburg, Virginia. The Company's Shenandoah Mobile, LLC subsidiary owns 158 towers overall, leases space on 153 towers to PCS and has 202 leases with other wireless communications providers at December 31, 2015.

PCS has offered personal communications services through a digital wireless telephone and data network since 1995. In 1999, this subsidiary executed a Management Agreement with Sprint. The network, which utilizes code division multiple access, or CDMA, currently covers 269 miles of Interstates 81 and 83, and a 140 mile section of the Pennsylvania Turnpike between Pittsburgh and Philadelphia, as well as many of the communities near these routes. The Sprint Affiliate area includes approximately 2.4 million residents, and our network currently covers more than 91% of them. In early 2012, the Company amended its Management Agreement with Sprint in connection with the Company's commitment to build a 4G LTE network in the Company's service area. Under its agreements with Sprint, the Company is the exclusive provider of wireless mobility communications network products and services in the 800 megahertz (MHz), 1900 megahertz (MHz) and 2.5 gigahertz (GHz) spectrum ranges. The Company had 312,512 postpaid PCS customers at December 31, 2015, an increase of 8.6% compared to December 31, 2014. The Company had 142,840 prepaid wireless customers at December 31, 2015, a decrease of 1.6% compared to December 31, 2014. Of the Company's total operating revenues, 56.3% in 2015, 58.5% in 2014 and 59.2% in 2013 were generated by or through Sprint and its customers using the Company's portion of Sprint's nationwide PCS network. No other customer relationship generated more than 1.0% of the Company's total operating revenues in 2015, 2014 or 2013.

Under the Sprint agreements, Sprint provides the Company significant support services, such as customer service, billing, collections, long distance, national network operations support, inventory logistics support, use of the Sprint brand names, national advertising, national distribution and product development.

The Company records its postpaid PCS revenues, with the exception of certain roaming and equipment sales revenues, based on the net PCS revenues billed by Sprint, net of an 8% Management Fee and a Net Service Fee retained by Sprint. The Net Service Fee was 12.0% for 2011, 2012, and early 2013. Effective August 1, 2013, this fee increased to 14.0%, the maximum allowed at that time under the Sprint agreement. During 2015, effective January 1, 2016, the Company amended its agreements with Sprint in order to better allocate certain costs covered by the Net Service Fee. The Net Service Fee was reduced to 8.6%, and certain costs and revenues previously included within the Net Service Fee were broken out of the Net Service Fee and will be separately settled in the future. Separately settled revenues primarily consist of revenues associated with Sprint's wholesale subscribers' use of our network and net travel revenue. In addition, the Company will be charged for the costs of subsidized handsets sold through Sprint's national channels as well as commissions paid by Sprint to third-party resellers in our service territory. The Company does not expect this treatment to result in a significant change in wireless postpaid results, though it will increase both total revenue and total operating expenses. Net PCS revenues billed by Sprint consist of gross monthly recurring charges for service, net of both recurring and non-recurring customer credits, account write offs and other billing adjustments. Neither the Management Fee nor the Net Service Fee are deferred.

Prepaid revenues are recorded net of a 6% Management Fee retained by Sprint. Sprint charges the Company separately to acquire and support prepaid customers. These charges are calculated based on Sprint's national averages for its prepaid programs, and are billed per user or per gross additional customer, as appropriate. The customer acquisition costs include handset subsidies.

Cable Segment

The business of the Company's Cable segment is conducted through Shenandoah Cable Television, LLC ("Shenandoah Cable"). Shenandoah Cable provides video, voice and data services to customers in portions of Virginia, West Virginia and western Maryland, and leases fiber optic facilities throughout its service area. It does not include video, internet and voice services provided to customers in Shenandoah County, Virginia, which are included in the Wireline segment.

The Company has acquired several cable networks since 2008, and as of December 31, 2015, the Company has upgraded all of the markets acquired in these transactions in order to offer robust video, high speed data and telephone services throughout its territory. Most of these markets are connected by a fiber network of 2,844 miles, which interconnects with the Wireline segment's 1,736 mile fiber network.

Table of Contents

There were 126,071 cable revenue generating units at December 31, 2015, an increase of 3.6% compared to December 31, 2014. A revenue generating unit consists of each separate service (video, voice and internet) subscribed to by a customer.

Wireline Segment

The Wireline segment provides regulated and unregulated voice services, DSL internet access, and long distance access services throughout Shenandoah County and portions of Rockingham, Frederick, Warren and Augusta counties, Virginia. The segment also provides video services in portions of Shenandoah County, and leases fiber optic facilities throughout the northern Shenandoah Valley of Virginia, northern Virginia and adjacent areas along the Interstate 81 corridor through West Virginia, Maryland and portions of Pennsylvania.

The business of the Company's Wireline segment is conducted primarily by its Shenandoah Telephone Company subsidiary. This subsidiary provides both regulated and unregulated telephone services and fiber optic facilities in Virginia, primarily throughout the Northern Shenandoah Valley.

Shenandoah Telephone Company provides local telephone services to 20,252 customers as of December 31, 2015, primarily in Shenandoah County and small service areas in Rockingham, Frederick, Warren, and Augusta counties in Virginia. This subsidiary provides access for interexchange carriers to the local exchange network and switching for voice products offered through the Cable segment. This subsidiary has a 20 percent ownership interest in Valley Network Partnership ("ValleyNet"), which offers fiber network facility capacity to business customers and other telecommunications providers in western, central, and northern Virginia, as well as the Interstate 81 corridor from Johnson City, Tennessee to Carlisle, Pennsylvania.

Shentel Cable of Shenandoah County, LLC was created as a new subsidiary of the Wireline segment in December 2013. The video services offered in Shenandoah County share much of the network which the regulated telephone company uses to serve its customers in addition to its own coaxial network. These services had previously been included in the Cable segment. The subsidiary provides video services to 5,356 customers and high speed data to 420 customers as of December 31, 2015.

The Wireline segment also includes Shentel Communications, LLC, which was created through the 2012 merger of four other of the Company's Wireline subsidiaries into Shentel Communications, LLC. The following services are provided through this entity:

- Internet access to customers in the northern Shenandoah Valley and surrounding areas. The Internet service has 12,666 digital subscriber line, or DSL, customers at December 31, 2015. DSL service is available to all customers in the Company's regulated telephone service area.

- Operation of the Maryland, West Virginia and Pennsylvania portions of a fiber optic network along the Interstate 81 corridor. In conjunction with the telephone subsidiary, Shentel Communications, LLC is associated with the ValleyNet fiber optic network. Shentel Communications, LLC's fiber network also extends south from Harrisonburg, Virginia, through Covington, Virginia, then westward to Charleston, West Virginia. This extension of the fiber network was acquired to connect to and support the Company's cable business, and the provision of facility leases of fiber optic capacity to end users, in these areas.

- Resale of long distance service for calls placed to locations outside the regulated telephone service area by telephone customers. There were 9,476 long distance customers at December 31, 2015.

Table of Contents

- Facility leases of fiber optic capacity, owned by itself and affiliates, in surrounding counties and into Herndon, Virginia.

Effective for the fourth quarter of 2015, the Company expanded its data offerings in its legacy telephone service area. Previously, the Company only offered DSL-based internet access, and a phone line was required to obtain this service. Under the new offerings, subscribers who have access to our video services (the video network overlaps a portion of our legacy telephone network) are able to purchase higher-speed internet packages over the coaxial cable network, while DSL subscribers who do not have access to our video network can purchase DSL for internet access, without having to purchase telephone service.

Other Segment

The Other segment includes Shenandoah Telecommunications Company, which provides investing and management services to its subsidiaries.

Additional information concerning the Company's operating segments is set forth in Note 14 of the Company's consolidated financial statements appearing elsewhere in this report.

Competition

The telecommunications industry is highly competitive. We compete primarily on the basis of the price, availability, reliability, variety and quality of our offerings and on the quality of our customer service. Our ability to compete effectively depends on our ability to maintain high-quality services at prices competitive with those charged by our competitors. In particular, price competition in the integrated telecommunications services markets generally has been intense and is expected to increase. Our competitors include, among others, larger providers such as AT&T Inc., Verizon Communications Inc., T-Mobile USA, Inc., U.S. Cellular Corp., CenturyLink, Inc., Frontier Communications Corp., DISH Network Corporation, DIRECTV, and various competitive service providers. The larger providers have substantially greater infrastructure, financial, personnel, technical, marketing and other resources, larger numbers of established customers and more prominent name recognition than the Company.

In markets where we provide video services, we also compete in the provision of telephone and high speed data services against the incumbent local telephone company. Incumbent carriers enjoy substantial competitive advantages arising from their historical monopoly position in the local telephone market, including pre-existing customer relationships with virtually all end-users. Wireless communications providers also are competing with wireline service providers, which further increases competition.

Competition is intense in the wireless communications industry. Competition has caused, and we anticipate that competition will continue to cause, the market prices for wireless products and services to decrease. This has resulted in some carriers introducing pricing plans that are structurally different and often more aggressively priced than in the past. Wireless providers are upgrading their wireless services to better accommodate real-time and downloadable audio and video content as well as Internet browsing capabilities and other services. Our ability to compete effectively will depend, in part, on our ability to anticipate and respond to various competitive factors affecting the wireless industry.

Competition is also intense and growing in the market for video services. Incumbent cable television companies, which have historically provided video service, face competition from direct broadcast satellite providers, on-line video services and from large wireline providers of telecommunications services (such as Verizon, Centurylink and AT&T) which have upgraded their networks to provide video services in addition to voice and high-speed Internet access services. These entities are large and have substantially greater infrastructure, financial, personnel, technical, marketing and other resources, larger numbers of established customers and more prominent name recognition than the Company. Our ability to compete effectively will depend, in part, on the extent to which our service offerings overlap with these entities, and on our ability to anticipate and respond to the competitive forces affecting the market for video and other services.

Table of Contents

A continuing trend toward consolidation, mergers, acquisitions and strategic alliances in the telecommunications industry could also increase the level of competition we face by further strengthening our competitors.

Regulation

Our operations are subject to regulation by the Federal Communications Commission ("FCC"), the Virginia State Corporation Commission ("VSCC"), the West Virginia Public Service Commission, the Maryland Public Service Commission, the Pennsylvania Public Utility Commission and other federal, state, and local governmental agencies. The laws governing these agencies, and the regulations and policies that they administer, are subject to constant review and revision, and some of these changes could have material impacts on our revenues and expenses.

Regulation of Wireless Operations

We operate our wireless business using radio spectrum made available by Sprint under the Sprint management agreements. Our wireless business is directly or indirectly subject to, or affected by, a number of regulations and requirements of the FCC and other governmental authorities that apply to providers of commercial mobile radio services ("CMRS").

Interconnection. Federal law and FCC regulations impose certain obligations on CMRS providers to interconnect their networks with other telecommunications providers (either directly or indirectly) and to enter into interconnection agreements ("ICAs") with certain types of telecommunications providers. Interconnection agreements typically are negotiated on a statewide basis and are subject to state approval. If an agreement cannot be reached, parties to interconnection negotiations can submit unresolved issues to federal or state regulators for arbitration. In addition, FCC regulations previously required that local exchange carriers ("LECs") and CMRS providers establish reciprocal compensation arrangements for the termination of traffic to one another. Disputes regarding intercarrier compensation can be brought in a number of forums (depending on the nature and jurisdiction of the dispute) including state public utility commissions ("PUCs"), FCC, and the courts. The Company does not presently have any material interconnection or intercarrier compensation disputes with respect to its wireless operations.

On October 27, 2011, the FCC adopted a report and order which comprehensively reformed and modernized the agency's intercarrier compensation ("ICC") rules governing the telecommunications industry. Under the new FCC regime, effective December 29, 2011, local traffic between CMRS providers and most LECs must be compensated pursuant to a default bill-and-keep framework if there was no pre-existing agreement between the CMRS provider and the LEC. A federal appeals court has affirmed the FCC's report and order, but a further appeal has been filed. Additionally, the FCC is considering a number of petitions for declaratory ruling and other proceedings regarding disputes among carriers relating to interconnection payment obligations. Resolution of these proceedings and any additional FCC rules regarding interconnection could directly affect us in the future. Interconnection costs represent a significant expense item for us and any significant changes in the intercarrier compensation scheme may have a material impact on our business. We are unable to determine with any certainty at this time whether any such changes would be beneficial to or detrimental to our wireless operations.

On December 18, 2014 the FCC issued a declaratory ruling which provides additional guidance concerning how the agency will evaluate the reasonableness of data roaming agreements. The agency clarified that it will consider the reasonableness of data roaming rates based upon, in part, whether such rates exceed retail, international and resale rates, as well as how such rates compare to other providers' rates. The ruling also clarifies other aspects of the FCC's 2011 data roaming order concerning the appropriate presumptions applied to certain contract terms and the inclusion of build-out terms when considering the reasonableness of roaming rates and terms. The ruling is expected to provide improved negotiating leverage to Sprint, and other providers, in negotiating new data roaming agreements with AT&T and Verizon. It is unclear whether such leverage will result in lower data roaming rates for Sprint, or whether such reduced rates will accrue to the benefit of our operations. There is also a possibility that the ruling could provide a basis for smaller wireless providers to seek more beneficial terms in their roaming agreements with Sprint, which may impact roaming costs in our territory.

Table of Contents

Universal Service Contribution Requirements. Consistent with the terms of our management agreements Sprint is required to contribute to the federal universal service fund (the "USF") based in part on the revenues it receives in connection with our wireless operations. The purpose of this fund is to subsidize telecommunications and broadband services in rural areas, for low-income consumers, and for schools, libraries, and rural healthcare facilities. Sprint is permitted to, and does, pass through these mandated payments as surcharges paid by our customers.

Transfers, Assignments and Changes of Control of PCS Licenses. The FCC must give prior approval to the assignment of ownership or control of a PCS license, as well as transfers involving substantial changes in such ownership or control. The FCC also requires licensees to maintain effective working control over their licenses. Our agreements with Sprint reflect an alliance that the parties believe meets the FCC requirements for licensee control of licensed spectrum. If the FCC were to determine that the Sprint management agreements need to be modified to increase the level of licensee control, we have agreed with Sprint under the terms of our Sprint PCS agreements to use our best efforts to modify the agreements as necessary to cause the agreements to comply with applicable law and to preserve to the extent possible the economic arrangements set forth in the agreements. If the agreements cannot be modified, the agreements may be terminated pursuant to their terms. The FCC could also impose sanctions on the Company for failure to meet these requirements.

PCS licenses are granted for ten-year terms. Sprint's PCS licenses for our service area are scheduled to expire on various dates between March 2016 and June 2025. Licensees have an expectation of license renewal if they have provided "substantial" service during its past license terms, and have "substantially" complied with FCC rules and policies, and with the Communications Act of 1934. All of the PCS licenses used in our wireless business have been successfully renewed since their initial grant.

Construction and Operation of Wireless Facilities. Wireless systems must comply with certain FCC and Federal Aviation Administration ("FAA") regulations regarding the registration, siting, marking, lighting and construction of transmitter towers and antennas. The FCC also requires that aggregate radio frequency emissions from every site meet certain standards. These regulations affect site selection for new network build-outs and may increase the costs of improving our network. We cannot predict what impact the costs and delays from these regulations could have on our operations.

The FCC's decision to authorize a proposed tower may also be subject to environmental review pursuant to the National Environmental Policy Act of 1969 ("NEPA"), which requires federal agencies to evaluate the environmental impacts of their decisions under some circumstances. FCC regulations implementing NEPA place responsibility on each applicant to investigate any potential environmental effects of a proposed operation, including health effects relating to radio frequency emissions, and impacts on endangered species such as certain migratory birds, and to disclose any significant effects on the environment to the agency prior to commencing construction. Pursuant to FCC rules, the public is afforded an opportunity to comment on the environmental effects of a proposed antenna structure that requires registration with the FCC. The FCC may then determine if further environmental review is necessary. In the event that the FCC determines that a proposed tower would have a significant environmental impact, the FCC would require preparation of an environmental impact statement.

In addition, tower construction is subject to regulations implementing the National Historic Preservation Act. Compliance with FAA, environmental or historic preservation requirements could significantly delay or prevent the registration or construction of a particular tower or make tower construction more costly. In some jurisdictions, local laws or regulations may impose similar requirements.

Wireless Facilities Siting. States and localities are authorized to engage in forms of regulation, including zoning and land-use regulation, which may affect our ability to select and modify sites for wireless facilities. States and localities may not engage in forms of regulation that effectively prohibit the provision of wireless services, discriminate among functionally equivalent services, or regulate the placement, construction or operation of wireless facilities on the basis of the environmental effects of radio frequency emissions. Courts and the FCC are routinely asked to review whether state and local zoning and land-use actions should be preempted by federal law, and the FCC also is routinely asked to consider other issues affecting wireless facilities siting in other proceedings. We cannot predict the outcome of these proceedings or the effect they may have on us.

Table of Contents

Communications Assistance for Law Enforcement Act. The Communications Assistance for Law Enforcement Act ("CALEA") was enacted in 1994 to preserve electronic surveillance capabilities by law enforcement officials in the face of rapidly changing telecommunications technology. CALEA requires telecommunications carriers, including the Company, to modify their equipment, facilities, and services to allow for authorized electronic surveillance based on either industry or FCC standards. Following adoption of interim standards and a lengthy rulemaking proceeding, including an appeal and remand proceeding, all carriers were required to be in compliance with the CALEA requirements as of June 30, 2002. We are currently in compliance with the CALEA requirements.

Local Number Portability. All covered CMRS providers, including the Company, are required to allow wireless customers to retain their existing telephone numbers when switching from one telecommunications carrier to another. These rules are generally referred to as wireless local number portability ("LNP"). The future volume of any porting requests, and the processing costs related thereto, may increase our operating costs in the future. We are currently in compliance with LNP requirements. The FCC has selected a new Local Number Portability Administrator, and the transition to a new Local Number Portability Administrator may impact our ability to manage number porting and related tasks, or may result in additional costs related to the transition.

Number Pooling. The FCC regulates the assignment and use of telephone numbers by wireless and other telecommunications carriers to preserve numbering resources. CMRS providers in the top 100 markets are required to be capable of sharing blocks of 10,000 numbers among themselves in subsets of 1,000 numbers ("1000s-block number pooling"); the FCC considers state requests to implement 1000s-block number pooling in smaller markets on a case-by-case basis, and has granted such requests in the past. In addition, all CMRS carriers, including those operating outside the top 100 markets, must be able to support roaming calls on their network placed by users with pooled numbers. Wireless carriers must also maintain detailed records of the numbers they have used, subject to audit. The pooling requirements may impose additional costs and increase operating expenses on us and limit our access to numbering resources. We are currently in compliance with the FCC number pooling requirements.

Telecommunications Relay Services ("TRS"). Federal law requires wireless service providers to take steps to enable the hearing impaired and other disabled persons to have reasonable access to wireless services. The FCC has adopted rules and regulations implementing this requirement to which we are subject, and requires that we pay a regulatory assessment to support such telecommunications relay services for the disabled. The Company is in compliance with these requirements.

Consumer Privacy. The Company is subject to various federal and state laws intended to protect the privacy of end-users who subscribe to the Company's services. For example, the FCC has regulations that place restrictions on the permissible uses that we can make of customer-specific information, known as Customer Proprietary Network Information ("CPNI"), received from subscribers, and that govern procedures for release of such information in order to prevent identity theft schemes. Other laws impose criminal and other penalties for the violation of certain CPNI requirements and related privacy protections. In addition, as explained below, the FCC has determined that broadband Internet access services are subject to the statutory protections afforded to CPNI, although the agency has not yet implemented specific regulations to that effect.

Table of Contents

Our operations are also subject to federal and state laws governing information security. In the event of an information security breach, such rules may require consumer and government agency notification and may result in regulatory enforcement actions with the potential of monetary forfeitures.

In addition, restrictions exist, and new restrictions are considered from time to time by Congress, federal agencies and states, on the extent to which wireless customers may receive unsolicited telemarketing calls, text messages, junk e-mail or spam. Congress, federal agencies and certain states also are considering, and may in the future consider imposing, additional requirements on entities that possess consumer information to protect the privacy of consumers. The Company is required to file an annual certification of compliance with the FCC’s CPNI rules. Complying with these requirements may impose costs on us or compel us to alter the way we provide or promote our services.

Consumer Protection. Many members of the wireless industry, including us, have voluntarily committed to comply with the CTIA Consumer Code for Wireless Service, which includes consumer protection provisions regarding the content and format of bills; advance disclosures regarding rates, terms of service, contract provisions, and network coverage; and the right to terminate service after a trial period or after changes to contract provisions are implemented. The FCC and/or some state commissions have considered or are considering imposing additional consumer protection requirements upon wireless service providers, including billing-related disclosures and usage alerts, as well as the adoption of standards for responses to customers and limits on early termination fees. On December 12, 2013, CTIA filed a letter with the FCC detailing voluntary commitments by large wireless providers, including Sprint, which will permit subscribers and former subscribers to unlock their mobile devices, subject to contract fulfillment timeframes for postpaid plans, or after one year for prepaid plans. The carriers have agreed to fully implement the voluntary commitments within 12 months of adoption. Subsequently, on February 11, 2014, CTIA-The Wireless Association adopted six standards on mobile wireless device unlocking into the CTIA Consumer Code for Wireless Service. Finally, on August 1, 2014, the Unlocking Consumer Choice and Wireless Competition Act was enacted to make it easier for consumers to change their cell phone service providers without paying for a new phone. This new statute reverses a decision made by the Library of Congress in 2012 that said it was illegal for consumers to “unlock” their cell phones for use on other networks without their service provider’s permission. Adoption of these, and other similar, consumer protection requirements could increase the expenses or decrease the revenue of our wireless business. Courts have also had, and in the future may continue to have, an effect on the extent to which matters pertaining to the content and format of wireless bills can be regulated at the state level. Any further changes to these and similar requirements could increase our costs of doing business and our costs of acquiring and retaining customers.

Net Neutrality. For information concerning the FCC’s non-discrimination requirements for wireless broadband providers, see the discussion under “Regulation of Wireline Operations – Broadband Services / Net Neutrality” below.

Radio Frequency Emission from Handsets. Some studies (and media reports) have suggested that radio frequency emissions from handsets, wireless data devices and cell sites may raise various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Most of the expert reviews conducted to date have concluded that the evidence does not support a finding of adverse health effects but that further research is appropriate. Courts have dismissed a number of lawsuits filed against other wireless service operators and manufacturers, asserting claims relating to radio frequency transmissions to and from handsets and wireless data devices. However, there can be no assurance that the outcome of other lawsuits, or general public concerns over these issues, will not have a material adverse effect on the wireless industry, including us.

Table of Contents

Accessibility. The FCC imposes obligations on telecommunications service providers, including wireless providers, intended to ensure that individuals with disabilities receive access to telecommunications services and equipment. FCC rules require CMRS providers to be capable of transmitting 911 calls from persons who are deaf, hard of hearing or speech disabled, through means other than mobile radio handsets, such as TTY technology. In addition, telecommunications services, including interconnected VoIP, and advanced communications services (ACS) (such as email and text messaging) must be accessible to and usable by disabled persons, including by ensuring TTY signal compatibility, unless doing so is not achievable. FCC rules require that customer support for covered services is accessible and also imposes extensive recordkeeping for both telecommunications services and ACS, and subject providers to significant penalties for non-compliance with accessibility requirements as well as for falsely certifying compliance with recordkeeping obligations. Similarly, existing FCC rules require us to offer a minimum number of hearing aid-compatible handsets to consumers. The FCC recently proposed rules that would update technical specifications for hearing-aid compatible (HAC) handsets and extend HAC compatibility requirements to VoIP handsets. We cannot predict if or when additional changes will be made to the current FCC accessibility rules, or whether and how such changes will affect us.

911 Services. We are subject to FCC rules that require wireless carriers to make emergency 911 services available to their subscribers, including enhanced 911 services that convey the caller's telephone number and detailed location information to emergency responders. The FCC has also sought public comment to investigate further requirements regarding the accuracy of wireless location information transmitted during an emergency 911 call. Additionally, the FCC has recently proposed rules that would require all wireless carriers to support the ability of consumers to send text messages to 911 in all areas of the country where 911 Public Safety Answering Points ("PSAP") are capable of receiving text messages. Also, in May 2013, the FCC adopted rules which require CMRS providers to provide an automatic "bounce-back" text message when a subscriber attempts to send a text message to 911 in a location where text-to-911 is not available. In August 2014, the FCC ordered that all CMRS and interconnected text providers must be capable of supporting text-to-911 by December 31, 2014. Such covered text providers have until June 30, 2015, to begin delivering text-to-911 messages to PSAPs that have submitted requests for such delivery by December 31, 2014, unless otherwise agreed with the PSAP, and six months to begin delivery after any such request made after December 31, 2014. We are not able to predict the effect that these, or any other, changes to the 911 service rules will have on our operations.

Regulation of Wireline Operations

As an ILEC, Shenandoah Telephone Company's ("Shenandoah Telephone") operations are regulated by federal and state regulatory agencies.

State Regulation. Shenandoah Telephone's rates for local exchange service, intrastate toll service, and intrastate access charges are subject to the approval of the VSCC. The VSCC also establishes and oversees implementation of certain provisions of the federal and state telecommunications laws, including interconnection requirements, promotion of competition, and consumer protection standards. The VSCC also regulates rates, service areas, service standards, accounting methods, affiliated transactions and certain other financial transactions. Pursuant to the FCC's October 27, 2011 order adopting comprehensive reforms to the federal intercarrier compensation and universal service policies and rules (as discussed above and further below), the FCC preempted state regulatory commissions' jurisdiction over all terminating access charges, including intrastate terminating access charges, which historically have been within the states' jurisdiction. However, the FCC vested in the states the obligation to monitor the tariffing of intrastate rate reductions for a transition period, to oversee interconnection negotiations and arbitrations, and to determine the network edge, subject to FCC guidance, for purposes of the new "bill-and-keep" framework. A federal appeals court has affirmed the decision, but a further appeal has been filed. The outcome of those further challenges could modify or delay the effectiveness of the FCC's rule changes. Although we are unable to predict the ultimate effect that the FCC's order will have on the state regulatory landscape or our operations, the rules may decrease or eliminate revenue sources or otherwise limit our ability to recover the full value of our network assets.

Interconnection. Federal law and FCC regulations impose certain obligations on incumbent local exchange carriers to interconnect their networks with other telecommunications providers (either directly or indirectly) and to enter into ICAs with certain types of telecommunications providers. Interconnection agreements typically are negotiated on a statewide basis and are subject to state approval. If an agreement cannot be reached, parties to interconnection negotiations can submit unresolved issues to federal or state regulators for arbitration. Disputes regarding intercarrier compensation can be brought in a number of forums (depending on the nature and jurisdiction of the dispute) including PUCs, the FCC, and the courts. The Company is working to resolve several routine interconnection and intercarrier compensation-related disputes concerning the appropriate rates and terms for the origination and termination of traffic on third-party networks.

Table of Contents

Regulation of Intercarrier Compensation. Shenandoah Telephone participates in the access revenue pools administered by the FCC-supervised National Exchange Carrier Association ("NECA"), which collects and distributes the revenues from interstate access charges that long-distance carriers pay us for originating and terminating interstate calls over our network. Shenandoah Telephone also participates in some NECA tariffs that govern the rates, terms, and conditions of our interstate access offerings. Some of those tariffs are under review by the FCC, and we may be obligated to refund affected access charges collected in the past or in the future if the FCC ultimately finds that the tariffed rates were unreasonable. We cannot predict whether, when, and to what extent such refunds may be due.

On October 27, 2011, the FCC adopted a number of broad changes to the ICC rules governing the interstate access rates charged by small-to-mid-sized ILECs such as Shenandoah Telephone. For example, the FCC adopted a national "bill-and-keep" framework, which will result in substantial reductions in the access charges paid by long distance carriers and other interconnecting carriers, possibly to zero, accompanied by increases to the subscriber line charges paid by business and residential end users. In addition, the FCC has changed some of the rules that determine what compensation voice service providers, including but not limited to wireless carriers, competitive local exchange carriers, Voice over Internet Protocol ("VoIP") providers and providers of other Internet-enabled services, should pay and receive for originating and terminating traffic that is interconnected with ILEC networks.

Although the FCC's recent changes to the ICC rules have been affirmed by a federal appeals court, a further appeal has been filed. These changes, and potential future changes, to such compensation regulations could increase our expenses and/or reduce our revenues. At this time we cannot estimate the amount of such additional expense or revenue changes.

The VSCC has jurisdiction over local telephone companies' intrastate access charges, and has indicated in the past that it might open a generic proceeding on the rates charged for intrastate access, although the scope and likelihood of such a proceeding is unclear in light of the FCC's overhaul of the intercarrier compensation rules (discussed above), which affect states' jurisdiction over intrastate access charges. The VSCC issued a Final Order on August 9, 2011 that required service providers to eliminate their common carrier line charges in three stages. Pursuant to the order, the Company's intrastate common line revenue had declined in each of the previous three years, and was eliminated in mid-2014.

Interstate and intrastate access charges are important sources of revenue for Shenandoah Telephone's operations. Unless these revenues can either be replaced through a new universal service mechanism, or unless they can be reflected in higher rates to local end users, or replaced through other newly created methods of cost recovery, the loss of revenues to us could be significant. There can be no assurance that access charges in their present form will be continued or that sufficient substitutes for the lost revenues will be provided. If access charges are reduced without sufficient substitutes for the lost revenues, this could have a material adverse impact on our financial condition, results of operations and cash flows. In addition, changes to the intercarrier compensation rules and policies could have a material impact on our competitive position vis-à-vis other service providers, particularly in our ability to proactively make improvements to our networks and systems.

Universal Service Fund. Shenandoah Telephone receives disbursements from the USF. In October 2011, the FCC adopted comprehensive changes to the universal service program that are intended in part to stabilize the USF, the total funding of which had increased considerably in recent years. Some of the FCC's reforms impact the rules that govern disbursements from the USF to rural ILECs such as Shenandoah Telephone, and to other providers. Such changes, and additional future changes, may reduce the size of the USF and payments to Shenandoah Telephone, which could have an adverse impact on the Company's financial position, results of operations, and cash flows. The Company is not able to predict if or when additional changes will be made to the USF, or whether and how such changes would affect the extent of our total federal universal service assessments, the amounts we receive, or our ability to recover costs associated with the USF.

Table of Contents

If the Universal Service Administrative Company ("USAC") were required to account for the USF program in accordance with generally accepted accounting principles for federal agencies under the Anti-Deficiency Act (the "ADA"), it could cause delays in USF payments to fund recipients and significantly increase the amount of USF contribution payments charged to wireline and wireless consumers. Each year since 2004, Congress has adopted short-term exemptions for the USAC from the ADA. Congress has from time to time considered adopting a longer term exemption for the USAC from the ADA, but we cannot predict whether any such exemption will be adopted or the effect it may have on the Company.

In February, 2012, the FCC released an order making substantial changes to the rules and regulations governing the USF Lifeline Program, which provides discounted telephone services to low income consumers. The order imposes greater recordkeeping and reporting obligations, and generally subjects providers of Lifeline-supported services to greater oversight. As a result of our Company providing Lifeline-supported services, it is subject to increased reporting and recordkeeping requirements, and could be subject to increased regulatory oversight, investigations or audits. The FCC, USAC and other authorities have conducted, and in the future are expected to continue to conduct, more extensive audits of USF support recipients, as well as other heightened oversight activities. The impact of these activities on the Company, if any, is uncertain.

Broadband Services.

In December 2010, the FCC adopted so-called "net neutrality" rules that it deemed necessary to ensure an "open" Internet that is not unduly restricted by network "gatekeepers." Those rules subjected wireline and wireless broadband Internet access service providers to varying regulations (depending upon the nature of the service) including three key requirements: 1) a prohibition against blocking websites or other online applications; 2) a prohibition against unreasonable discrimination among Internet users or among different websites or other sources of information; and 3) a transparency requirement compelling the disclosure of network management policies. Our wireline subsidiaries that provide broadband Internet access services were subject to these rules. However, on January 14, 2014, the U.S. Court of Appeals for the D.C. Circuit, in Verizon v. FCC, struck down major portions of the FCC's net neutrality rules governing the operating practices of broadband Internet access providers like us. The Court struck down the first two components of the rules, the prohibition against blocking and unreasonable discrimination, concluding that they constitute "common carrier" restrictions that are not permissible given the FCC's earlier decision to classify Internet access as an "information service," rather than a "telecommunications service." The Court simultaneously upheld the FCC's transparency requirement, concluding that this final requirement does not amount to impermissible common carrier regulation.

On February 26, 2015, in response to the D.C. Circuit's ruling, the FCC adopted an order imposing new rules to reclassify and regulate broadband Internet access services. The Order reclassifies wireline and wireless broadband services as Title II common carrier services, and asserts legal authority to regulate broadband service offered by ISPs under Title II, Title III, and Section 706 of the Telecommunications Act. In an effort to protect consumers and edge providers, new rules promulgated under the Order would prohibit ISPs from engaging in blocking, throttling, and paid prioritization, and the existing transparency/disclosure rules would be enhanced. For the first time, under this Order the FCC has authority to hear complaints and take enforcement actions if it determines that the interconnection of ISPs are not just and reasonable, or if ISPs fail to meet a new general obligation not to harm consumers or edge providers. The Order forbears from (at least for now) certain Title II regulation, such as rate regulation, tariffs and last-mile unbundling. The Order does not propose assessment of USF fees on broadband at this time. The Order has been appealed by multiple parties, but the rules are currently in effect (except for the expanded disclosure requirements, which will not become effective until they receive approval from the Office of Management and Budget). The Order could have a material adverse effect on our business and results of operations. There are also legislative proposals in Congress to preempt the Chairman's proposed "utility-style" regulation, while still addressing many of the underlying concerns. We do not know at the current time if the new regulations will survive judicial review, nor do we know how they would be administered if they do, but they could adversely affect the potential development of advantageous relationships with Internet content providers. Rules or statutes increasing the regulation of our Internet services could limit our ability to efficiently manage our networks and respond to operational and competitive challenges.

Table of Contents

As the Internet has matured, it has become the subject of increasing regulatory interest. Congress and Federal regulators have adopted a wide range of measures directly or potentially affecting Internet use. The adoption of new Internet regulations or policies could adversely affect our business.

On January 29, 2015, the FCC, in a nation-wide proceeding evaluating whether “advanced broadband” is being deployed in a reasonable and timely fashion, increased the minimum connection speeds required to qualify as advanced broadband service to 25 Mbps for downloads and 3 Mbps for uploads. As a result, the FCC concluded that advanced broadband was not being sufficiently deployed and initiated a new inquiry into what steps it might take to encourage broadband deployment. This action may lead the FCC to adopt additional measures affecting our broadband business. At the same time, the FCC has ongoing proceedings to allocate additional spectrum for advanced wireless service, which could provide additional wireless competition to our broadband business.

In addition, in 2015 the West Virginia Office of the Attorney General initiated an informal inquiry into the marketing practices and performance of all sizable West Virginia Internet service providers, including Shenandoah Cable Television, LLC, within West Virginia. Pursuant to requests from the Attorney General’s office the Company provided all requested information concerning terms of service, pricing, packaging, advertising, service intervals, infrastructure investments and related information (including the results of internal speed tests). It is unclear when this inquiry will be completed, or whether the Attorney General’s office will request additional information, or take any further action. The impact of these activities on the Company, if any, is uncertain.

Other Regulatory Obligations. Shenandoah Telephone is subject to requirements relating to CPNI, CALEA implementation, interconnection, access to rights of way, number portability, number pooling, accessibility of telecommunications for those with disabilities, protection for consumer privacy, and other obligations similar to those discussed above for our wireless operations.

The FCC and other authorities continue to consider policies to encourage nationwide advanced broadband infrastructure development. For example, the FCC has largely deregulated DSL and other broadband services offered by ILECs. Such changes benefit our ILEC, but could make it more difficult for us (or for NECA) to tariff and pool DSL costs. Broadband networks and services are subject to CALEA rules, network management disclosure and prohibitions, requirements relating to consumer privacy, and other regulatory mandates.

911 Services. We are subject to FCC rules that require telecommunications carriers to make emergency 911 services available to their subscribers, including enhanced 911 services that convey the caller’s telephone number and detailed location information to emergency responders. In December 2013 the FCC adopted a rule requiring all 911 service providers that serve a public safety answering point or other local emergency responder, to take reasonable measures to ensure 911 circuit diversity, availability of backup power at central offices that directly serve PSAPs, and diversity of network monitoring links.

Long Distance Services. We offer long distance service to our customers through our subsidiary, Shentel Communications, LLC. Our long distance rates are not subject to FCC regulation, but we are required to offer long distance service through a subsidiary other than Shenandoah Telephone, to disclose our long distance rates on a website, to maintain geographically averaged rates, to pay contributions to the USF and make other mandatory payments based on our long-distance revenues, and to comply with other filing and regulatory requirements. In November 2013 the FCC issued an order imposing greater recordkeeping and reporting obligations on certain long distance providers delivering calls to rural areas. The order imposes greater recordkeeping and quarterly reporting obligations on such providers, and generally subjects such providers to greater oversight. At this time, the Company is exempt from these rules.

Table of Contents

CLEC Operations. We are authorized to operate as a CLEC in Maryland, Virginia, West Virginia and Pennsylvania. CLECs generally are subject to federal and state regulations that are similar to, but not as stringent as, those that apply to our ILEC operations. Both the FCC and the state regulatory authorities require that, in most circumstances, CLEC access charges be no higher than the access charges of the ILECs in areas where they operate.

Regulation of Cable Television, Interconnected VoIP and Other Video Service Operations

Through Shenandoah Cable Television, LLC, we provide cable service in a number of jurisdictions throughout West Virginia, numerous communities across southern and southwestern Virginia, and a small area of western Maryland. We also provide cable service in Shenandoah County, Virginia through Shentel Cable of Shenandoah County, LLC.

The provision of cable service generally is subject to regulation by the FCC, and cable operators typically also must comply with the terms of the franchise agreement between the cable operator and the local franchising authority. Some states, including Virginia and West Virginia, have enacted regulations and franchise provisions that also can affect certain aspects of a cable operator's operations.

Pricing and Packaging. Federal law limits cable rate regulation to communities that are not subject to "effective competition," as defined by federal regulation. In the absence of effective competition, federal law authorizes local franchising authorities to regulate the monthly rates charged for the minimum level of video programming service (the "basic service tier") and for the installation, sale and lease of equipment used by end users to receive the basic service tier, but no additional cable offerings. None of the local franchise authorities presently regulate our rates. Congress and the FCC from time to time have considered imposing new pricing and packaging restrictions on cable operators, including possible requirements to unbundle existing service tiers and provide cable programming on an a la carte basis. We cannot predict whether or when such new pricing and packaging restrictions may be imposed on us or what effect they would have on our ability to provide cable service.

Must-Carry/Retransmission Consent. Local broadcast television stations can require a cable operator to carry their signals pursuant to federal "must-carry" requirements. Alternatively, local television stations may require that a cable operator obtain "retransmission consent" for carriage of the station's signal, which can enable a popular local television station to obtain concessions from the cable operator for the right to carry the station's signal. When stations choose retransmission consent over must-carry, both the station and the cable operator have a duty to negotiate in good faith for such consent. Although some local television stations today are carried by cable operators under the must-carry obligation, popular broadcast network affiliated stations (like ABC, CBS, FOX, CW and NBC) typically are carried pursuant to retransmission consent agreements. The cable industry's retransmission consent costs are increasing rapidly. In the past, proposals have been advanced in Congress and at the FCC to reform or eliminate retransmission consent, and the FCC is currently considering limited reform measures. We are unable to predict what future changes, if any, Congress or the FCC might adopt in connection with retransmission consent and how such rules may affect our business.

Copyright Fees. Cable operators pay compulsory copyright fees (in addition to possible retransmission consent fees) to retransmit broadcast programming. Although the cable compulsory copyright license has been in place for 40 years, there have been legislative and regulatory proposals to replace the compulsory license with privately negotiated licenses. We cannot predict whether such proposals will be enacted and how they might affect our business. The Copyright Office adopted rules in 2014 governing private audits of cable operators' compulsory copyright payments, and any resulting audits initiated by copyright owners could lead to demands for increased copyright payments.

Programming Costs. Satellite-delivered cable programming, such as ESPN, HBO and the Discovery Channel, is not subject to must-carry/retransmission consent regulations or a compulsory copyright license. The Company negotiates directly or through the National Cable Television Cooperative ("NCTC") with satellite-delivered cable programmers for the right to carry their programming. The cost of acquiring the right to carry satellite-delivered cable programming can increase as the popularity of such programming increases, or as programmers demand rate increases. We cannot predict the extent to which such programming costs may increase in the future or the effect such cost increases may have on our ability to provide cable service.

Table of Contents

Franchise Matters. Cable operators generally must apply for and obtain non-exclusive franchises from local or state franchising authorities before providing video service. The terms and conditions of franchises vary among jurisdictions, but franchises generally last for a fixed term, subject to renewal; require the cable operator to collect a franchise fee of as much as 5% of the cable operator's gross revenue from video services; and contain certain service quality and customer service obligations. A significant number of states today have processes in place for obtaining state-wide franchises, and legislation has been introduced from time to time in Congress and in various states, including those in which we provide some form of video service, that would require the implementation of state-wide franchising processes. Although we cannot predict whether state-wide franchising will become ubiquitous, it would, if implemented, likely lower barriers to entry and increase competition in the marketplace for video services. In 2006, the FCC adopted new rules governing the terms and conditions under which franchising authorities can award franchises to entities that compete against incumbent cable service operators. These rules generally limit the ability of franchising authorities to impose certain requirements on and extract certain concessions from new entrants. Also in 2006, Virginia adopted a new franchising statute. This statute largely leaves franchising responsibility in the hands of local municipalities and counties, but it governs the local government entities' award of such franchises and their conduct of franchise negotiations. We cannot predict the extent to which these rules and other developments will accelerate the pace of new entry into the video market or the effect, if any, they may have on our cable operations.

Leased Access/PEG. The Communications Act permits franchising authorities to require cable operators to set aside the use of channels for public, education and governmental access ("PEG") programming. The Communications Act also requires certain cable systems to make available a portion of their capacity for commercial leased access by third parties that would compete with programming offered on other channels of the cable system. Increases in the amount of required commercial leased access or PEG access usage could reduce the number of channels available to us to provide other types of programming to subscribers.

Pole Attachments. The Communications Act requires most utilities to provide cable systems with access to poles and conduits and simultaneously subjects the rates charged for this access to either federal or state regulation. In 2011 and again in 2015, the FCC amended its existing pole attachment rules to promote broadband deployment. The 2011 order allows for new penalties in certain cases involving unauthorized attachments, but generally strengthens the cable industry's ability to access investor-owned utility poles on reasonable rates, terms and conditions. Additionally, the 2011 order reduces the federal rate formula previously applicable to "telecommunications" attachments to closely approximate the rate formula applicable to "cable" attachments. The 2015 order (which may still be appealed by utility pole owners) continues that rate reconciliation, effectively closing the remaining "loophole" that potentially allowed for significantly higher rates for telecommunications attachments in certain scenarios. Neither the 2011 order nor the 2015 order directly affect the rate in states that self-regulate (rather than allow the FCC to regulate) pole rates, but many of those states have substantially the same rate for cable and telecommunications attachments.

Broadband Services. For information concerning the regulation of Broadband services, see the discussion under "Regulation of Incumbent Local Exchange Carrier Operations – Broadband Services" above.

Net Neutrality. For information concerning the FCC's non-discrimination requirements for fixed broadband providers, see the discussion under "Regulation of Wireline Operations – Broadband Services / Net Neutrality" above.

Table of Contents

VoIP Services. We provide voice communications services over our cable network utilizing interconnected VoIP technology and service arrangements. Although similar to telephone service in some ways, our VoIP service arrangement utilizes different technology and is subject to many of the same rules and regulations applicable to traditional telephone service. The FCC order adopted on October 27, 2011, established rules governing intercarrier compensation payments for the origination and termination of telephone traffic between carriers and VoIP providers. In May 2014 the United States Court of Appeals for the Tenth Circuit upheld the FCC order reducing intercarrier compensation payments. The rules are likely to substantially decrease intercarrier compensation payments we may have otherwise received over a multi-year period. The decreases over the multi-year transition will affect both the amounts that we pay to telecommunications carriers and the amounts that we receive from other carriers. The schedule and magnitude of these decreases, however, will vary depending on the nature of the carriers and the telephone traffic at issue. We cannot yet predict with certainty the balance of the impact on our revenues and expenses for voice services at particular times over this multi-year period.

Further regulatory changes are being considered that could impact our VoIP service. The FCC and state regulatory authorities are considering, for example, whether certain common carrier regulations traditionally applied to incumbent local exchange carriers should be modified or reduced, and the extent to which common carrier requirements should be extended to VoIP providers. The FCC has already determined that certain providers of voice services using Internet Protocol technology must comply with requirements relating to 911 emergency services, CALEA, USF contribution, customer privacy and CPNI issues, number portability, disability access, regulatory fees, and discontinuance of service. In March 2007, a federal appeals court affirmed the FCC's decision concerning federal regulation of certain VoIP services, but declined to specifically find that VoIP service provided by cable companies, such as we provide, should be regulated only at the federal level. As a result, some states, including West Virginia, began proceedings to subject cable VoIP services to state-level regulation. Although the West Virginia proceeding concluded without any new state-level regulation, it is difficult to predict whether it, or other state regulators, will continue to attempt to regulate our VoIP service. We have registered with, or obtained certificates or authorizations from, the FCC and the state regulatory authorities in those states in which we offer competitive voice services in order to ensure the continuity of our services and to maintain needed network interconnection arrangements. It is not clear how the FCC Order to reclassify wireline and wireless broadband services as Title II common carrier services, and pursuant to Section 706, will affect the regulatory status of our VoIP services. Further, it is also unclear whether and how these and other ongoing regulatory matters ultimately will be resolved. In November 2014, the FCC adopted an order imposing limited backup power obligations on providers of facilities-based fixed, residential voice services that are not otherwise line-powered, including our VoIP services. This order will become effective for providers with fewer than 100,000 U.S. customer lines in August 2016 and at that time will require the company to disclose certain information to customers and to make available back up power at the point of sale.

Prospective competitors of Shenandoah Cable may also receive disbursements from the USF. Some of those competitors have requested USF support under the Connect America Fund to build broadband facilities in areas already served by Shenandoah Cable. Although Shenandoah Cable has opposed such requests where we offer service, we cannot predict whether the FCC or another agency will grant such requests or otherwise fund broadband service in areas already served by the company.

Table of Contents

Other Issues. Our ability to provide cable service may be affected by a wide range of additional regulatory and related issues, including FCC regulations pertaining to licensing of systems and facilities, set-top boxes, equipment compatibility, program exclusivity blackouts, advertising, public files, accessibility to persons with disabilities, emergency alerts, pole attachments, equal employment opportunity, privacy, consumer protection, and technical standards. For example, following enactment of the 21st Century Communications and Video Accessibility Act, the FCC has adopted new rules and heightened enforcement of rules requiring captioning and description of video programming, accessibility of emergency information, and equipment and navigation devices. In addition, proceedings before the FCC and state regulatory bodies have examined the rates that cable operators must pay to use utility poles and conduits, and other terms and conditions of pole attachment agreements. Pole attachment costs are significant and changes in pole attachment regulation and the resulting rates could have an adverse impact on our operations. In December 2014, as part of the Satellite Television Extension and Localism Act (“STELA”) reauthorization, Congress repealed a prohibition on cable operators offering set-top boxes with integrated security and navigational features (effective December 4, 2015), but also directed the FCC to establish a working group of “technical experts” to identify downloadable security design options to facilitate consumer use of retail navigation devices in lieu of set-top boxes provided by cable operators. The working group issued its report in August 2015. In February 2016, the FCC initiated a new rulemaking proceeding and proposed rules to require us and other multichannel video programming distributors “MVPDs”) to make changes to our networks to enable customer-owned third party devices to access our video services in lieu of our leased set-top boxes. Specifically, the FCC’s proposal would require MVPDs to offer three so-called “information flows” to third-party device makers, which would include (1) information about programming availability; (2) information about what a device is permitted to do with the content; and (3) the video program content itself. If adopted as currently proposed by the FCC, the proposal could require us to undertake costly steps to re-engineer our network, and it could have a significant impact on our ability to deliver cable television services and compete with other video service providers, including those providing so-called “over-the-top” video services. We cannot predict the nature and pace of these and other developments or the effect they may have on our operations.

Employees

At December 31, 2015, we had approximately 730 employees, of whom approximately 662 were full-time employees. None of our employees is represented by a union or covered by a collective bargaining agreement.

Table of Contents

Executive Officers

The following table presents information about our executive officers who, other than Christopher E. French, are not members of our board of directors. Our executive officers serve at the pleasure of the Board of Directors.

Name	Title	Age	Date in Position
Christopher E. French	President and Chief Executive Officer	58	April 1988
Earle A. MacKenzie	Executive Vice President and Chief Operating Officer	63	June 2003
Adele M. Skolits	Vice President – Finance, Chief Financial Officer and Treasurer	57	September 2007
William L. Pirtle	Senior Vice President – Marketing and Sales	56	September 2015
Raymond B. Ostroski	General Counsel, Vice President - Legal and Corporate Secretary	61	January 2013
Thomas A. Whitaker	Senior Vice President – Operations	55	September 2015
Edward H. McKay	Senior Vice President –Engineering & Planning	43	September 2015
Richard A. Baughman	Vice President – Information Technology	48	June 2010

Mr. French is President and Chief Executive Officer of the Company, where he is responsible for the overall leadership and strategic direction of the Company. He has served as President since 1988, and has been a member and Chairman of the Board of Directors since 1996. Prior to appointment as President, Mr. French held a variety of positions with the Company, including Vice President Network Service and Executive Vice President. Mr. French holds a BS in electrical engineering and an MBA, both from the University of Virginia. He has held board and officer positions in both state and national telecommunications associations, including service as a director of the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and was president and director of the Virginia Telecommunications Industry Association. Mr. French is currently a member of the Leadership Committee of the USTelecom Association.

Mr. MacKenzie is Executive Vice President and Chief Operating Officer (COO) of the Company. He joined the Company in 2003, and is responsible for Shentel's daily operations of its subsidiaries. Mr. MacKenzie began his career in the telecommunications industry in 1975. He was the co-founder and President of Broadslate Networks and Essex Communications. He served as COO of Digital Television Services and as Senior Vice President of Contel Cellular. Mr. MacKenzie is a graduate of The College of William and Mary and holds a BBA in accounting. Mr. MacKenzie is a member of the Board of Directors of the American Cable Association.

Ms. Skolits serves as Chief Financial Officer and Vice President - Finance at Shentel. She joined the Company in 2007 and is responsible for Shentel's daily financial decisions. Ms. Skolits’ industry experience began in 1995 and included three years with Revol Wireless where she served as Chief Financial Officer. Ms. Skolits' telecommunications experience also includes serving as Controller for Comcast Metrophone, Director of Financial Operations for Comcast Cellular Communications and Chief Financial Officer of City Signal Communications. Ms. Skolits earned a BS degree in Commerce with a concentration in Accounting from the University of Virginia.

Table of Contents

Mr. Pirtle is Senior Vice President - Marketing and Sales for Shentel. He was promoted to Senior Vice President in September 2015. He is responsible for sales and marketing of Sprint branded wireless products and services, Shentel branded cable TV, Internet access, and voice products and services offered by the company. He is also responsible for the Shentel brand identity. His previous position was Vice President - Wireless, responsible for Shentel’s Wireless segment. He joined the Company in 1992 as Vice President - Network Services responsible for Shentel's technology decisions, maintenance and operation of its telephone, cable, cellular, paging and fiber optics networks. He helped launch Shentel's Internet business in 1994, and led its participation in its wireless PCS business and Sprint affiliation beginning in 1995. He is a graduate of the University of Virginia. Mr. Pirtle is a co-founder of the Shenandoah Valley Technology Council and has represented the Company on the Board of ValleyNet.

Mr. Ostroski is General Counsel and Vice President – Legal and Corporate Secretary for Shentel. He joined Shentel in 2013 and is responsible for all legal and regulatory compliance matters for the Company. He also acts as Corporate Secretary to the Company’s Board of Directors. Mr. Ostroski began his career in the telecommunications industry in 1985 and has served as Executive Vice President and General Counsel for One Communications, Senior Vice President and General Counsel for Commonwealth Telephone Enterprises, Executive Vice President and General Counsel for RCN Corporation and Senior Vice President and General Counsel of C-TEC Corporation. Mr. Ostroski earned a BS degree in Social Science from Wilkes University and also earned a Juris Doctor degree from Temple University School of Law.

Mr. Whitaker is Senior Vice President - Operations for Shentel. He was promoted to Senior Vice President in September 2015. He was previously the Vice President - Cable with responsibility for Shentel cable operations. Mr. Whitaker joined Shentel in 2004 through the Shentel acquisition of NTC Communications. Mr. Whitaker is responsible for the ongoing development, operations and maintenance of Shentel’s wireless, wireline and cable operations. Additionally, he supports the Shentel Network Operations Center. Mr. Whitaker began his career in 1983. He previously was COO of NTC Communications, and served as Vice President of Network Operations at Broadslate Networks, Director of Wireless Operations for nTelos, and was Co-Founder and Vice President of Nat-Com, Incorporated. Mr. Whitaker is a graduate of West Virginia Wesleyan College in Buckhannon, WV.

Mr. McKay is Senior Vice President - Engineering & Planning for Shentel. He was promoted to Senior Vice President in September 2015. He is responsible for network planning and engineering for all Shentel’s networks and the Marketing and Sales of Shentel’s fiber optic network. Previously he was Vice President - Wireline and Engineering. Mr. McKay joined Shentel in 2004 and began his telecommunications industry career in 1996, including previous engineering management positions at UUNET and Verizon. He is a graduate of the University of Virginia, where he earned ME and BS degrees in Electrical Engineering. He represents the Company on the Board of ValleyNet.

Mr. Baughman is Vice President - Information Technology of Shentel. He began his career in 1991 working with the Navy and entered the telecommunications industry in 1995, working for companies including Bellcore/Telcordia, AT&T, Lucent, WINfirst and SureWest. He joined the Company in 2006 and is responsible for all of the back-office software and infrastructure systems at Shentel. Mr. Baughman has a BS in Electrical Engineering from Lafayette College and an MS in Optics from the University of Rochester.

Websites and Additional Information

The Company maintains a corporate website at www.shentel.com. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8 K, and all amendments to those reports, as soon as reasonably practicable after we electronically file or furnish such reports with or to the SEC. The contents of our website are not a part of this report. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding the Company.

Table of Contents

ITEM 1A. RISK FACTORS

Our business and operations are subject to a number of risks and uncertainties, including those set forth under “Business-Competition” and the following:

Risks Related to the Telecommunications Industry

Intensifying competition in all segments of our business may limit our ability to sustain profitable operations.

As new technologies are developed and deployed by competitors in our service area, some of our subscribers may select other providers’ offerings based on price, capabilities and personal preferences. Most of our competitors possess greater resources, have more extensive coverage areas, and offer more services than we do. If significant numbers of our subscribers elect to move to other competing providers, or if market saturation limits the rate of new subscriber additions, we may not be able to sustain profitable operations.

Nationwide, incumbent local exchange carriers have experienced a decrease in access lines due to the effect of wireless and wireline competition. We have experienced comparatively modest reductions in the number of access lines to date, but based on industry experience we anticipate that the long-term trend toward declining telephone subscriber counts will continue. There is a significant risk that this downward trend could have a material adverse effect on the Company’s landline telephone operations in the future.

The Company’s revenue from fiber leases may be adversely impacted by price competition for these facilities.

Alternative technologies, changes in the regulatory environment and current uncertainties in the marketplace may reduce future demand for existing telecommunication services.

The telecommunications industry is experiencing significant technological change, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. Technological advances, industry changes, changes in the regulatory environment, and the availability of additional spectrum or additional flexibility with respect to the use of currently available spectrum could cause the technology we use to become obsolete. We and our vendors may not be able to respond to such changes and implement new technology on a timely basis, or at an acceptable cost.

Adverse economic conditions in the United States and in our market area involving significantly reduced consumer spending could have a negative impact on our results of operations.

Our customers are individual consumers and businesses that provide goods and services to others, and are located in a relatively concentrated geographic area. Any national economic weakness, restricted credit markets, and high unemployment rates could depress consumer spending and harm our operating performance. In addition, any adverse economic conditions that affect our geographic markets in particular could have further negative impacts on our results.

Regulation by government and taxing agencies may increase our costs of providing service or require changes in services, either of which could impair our financial performance.

Our operations are subject to varying degrees of regulation by the FCC, the Federal Trade Commission, the FAA, the Environmental Protection Agency, and the Occupational Safety and Health Administration, as well as by state and local regulatory agencies and franchising authorities. Action by these regulatory bodies could negatively affect our operations and our costs of doing business. For example, changes in tax laws or the interpretation of existing tax laws by state and local authorities could increase income, sales, property or other tax costs.

Our access revenue may be adversely impacted by legislative or regulatory actions, or technology developments, that decrease access rates or exempt certain traffic from paying for access to our regulated telephone network.

On October 27, 2011, the FCC adopted a number of broad changes to the intercarrier compensation rules governing the interstate access rates charged by small-to-mid-sized ILECs such as Shenandoah Telephone. For example, the FCC adopted a national "bill and keep" framework, which may result in substantial reductions in the access charges paid by long distance carriers and other interconnecting carriers, possibly to zero, accompanied by increases to the subscriber line charges paid by business and residential end users. In addition, the FCC has changed some of the rules that determine what compensation carriers, including but not limited to wireless carriers, competitive local exchange carriers, VoIP providers and providers of other Internet-enabled services, should pay (and receive) for their traffic that is interconnected with ILEC networks. These changes, and potential future changes, to such compensation regulations could increase our expenses or reduce our revenues. In addition, the Company is working to resolve several routine interconnection and intercarrier compensation-related disputes concerning the appropriate access rates and terms for the origination and termination of traffic on third-party networks.

The VSCC has jurisdiction over local telephone companies' intrastate access charges, and has indicated in the past that it might open a generic proceeding on the rates charged for intrastate access, although the scope and likelihood of such a proceeding is unclear in light of the FCC's overhaul of the intercarrier compensation rules, which affect states' jurisdiction over intrastate access charges. The VSCC issued a Final Order on August 9, 2011 that requires elimination of common carrier line charges in three stages. Pursuant to the order, the Company's intrastate common line revenue has declined in each of the last three years and was eliminated in mid-2014.

Our distribution networks may be subject to weather-related events that may damage our networks and adversely impact our ability to deliver promised services or increase costs related to such events.

Our distribution networks may be subject to weather-related events that could damage our networks and impact service delivery. Some published reports predict that warming global temperatures will increase the frequency and severity of such weather related events. Should such predictions be correct, and should such events impact the Mid-Atlantic region covered by our networks more frequently than in the past, our revenues and expenses could be materially adversely impacted.

Risks Related to our Overall Business Strategy

We may not benefit from our acquisition strategy.

As part of our business strategy, we regularly evaluate opportunities to enhance the value of our company by pursuing acquisitions of other businesses, and we intend to evaluate whether to pursue such strategic acquisition opportunities as they arise, though we remain subject to financial and other covenants in our credit agreements that contain restrictions as to the opportunities we may be able to pursue. We cannot provide any assurance, however, with respect to the timing, likelihood, size or financial effect of any potential transaction involving our company, as we may not be successful in identifying and consummating any acquisition or in integrating any newly acquired business into our operations.

The evaluation of business acquisition opportunities and the integration of any acquired businesses pose a number of significant risks, including the following:

- acquisitions may place significant strain on our management, financial and other resources by requiring us to expend a substantial amount of time and resources in the pursuit of acquisitions that we may not complete, or to devote significant attention to the various integration efforts of any newly acquired businesses, all of which will require the allocation of limited resources;

Table of Contents

- acquisitions may not have a positive impact on our cash flows or financial performance, even if acquired companies eventually contribute to an increase in our cash flows or profitability, because the acquisitions may adversely affect our operating results in the short term as a result of transaction-related expenses we will have to pay or the higher operating and administrative expenses we may incur in the periods immediately following an acquisition as we seek to integrate the acquired business into our operations;

- we may not be able to eliminate as many redundant costs as we anticipate;

- our operating and financial systems and controls and information services may not be compatible with those of the companies we may acquire and may not be adequate to support our integration efforts, and any steps we take to improve these systems and controls may not be sufficient;

- our business plans and projections used to justify the acquisitions and expansion investments are based on assumptions of revenues per subscriber, penetration rates in specific markets where we operate, and expected operating costs. These assumptions may not develop as projected, which may negatively impact our profitability;

- growth through acquisitions will increase our need for qualified personnel, who may not be available to us or, if they were employed by a business we acquire, remain with us after the acquisition; and

- acquired businesses may have unexpected liabilities and contingencies, which could be significant.

Our ability to comply with the financial covenants in our credit agreement depends primarily on our ability to generate sufficient operating cash flow.

Our ability to comply with the financial covenants under the agreement governing our secured credit facilities will depend primarily on our success in generating sufficient operating cash flow. Under our credit agreement, we are subject to a total leverage ratio covenant, a minimum debt service coverage ratio covenant, and a minimum equity to assets ratio covenant. Industry conditions and financial, business and other factors, including those we identify as risk factors in this and our other reports, will affect our ability to generate the cash flows we need to meet those financial tests and ratios. Our failure to meet the tests or ratios could result in a default and acceleration of repayment of the indebtedness under our credit facilities. If the maturity of our indebtedness were accelerated, we would not have sufficient funds to repay such indebtedness. In such event, our lenders would be entitled to proceed against the collateral securing the indebtedness, which includes substantially our entire assets, to the extent permitted by our credit agreement and applicable law.

Our level of indebtedness could adversely affect our financial health and ability to compete.

As of December 31, 2015, we had $201.3 million of total long-term indebtedness, including the current portion of such indebtedness. Our level of indebtedness could have important consequences. For example, it may:

- increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations, because a significant portion of our borrowings may continue to be at variable rates of interest;

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, dividends and other general corporate purposes;

- limit our ability to borrow additional funds to alleviate liquidity constraints, as a result of financial and other restrictive covenants in our credit agreement;

24

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

- place us at a competitive disadvantage relative to companies that have less indebtedness.

In addition, our secured credit facilities impose operating and financial restrictions that limit our discretion on some business matters, which could make it more difficult for us to expand, finance our operations and engage in other business activities that may be in our interest. These restrictions limit our ability and that of our subsidiaries to:

- incur additional indebtedness and additional liens on our assets;

- engage in mergers or acquisitions or dispose of assets;

- pay dividends or make other distributions;

- voluntarily prepay other indebtedness;

- enter into transactions with affiliated persons;

- make investments; and

- change the nature of our business.

In addition to the term loan secured indebtedness we have incurred, and the $50 million of revolving credit indebtedness we may incur from time to time, we may incur additional indebtedness under our credit facilities. Any additional indebtedness we may incur in the future may subject us to similar or even more restrictive conditions.

Our ability to refinance our indebtedness in the future, should circumstances require it, will depend on our ability in the future to generate cash flows from operations and to raise additional funds, including through the offering of equity or debt securities. We may not be able to generate sufficient cash flows from operations or to raise additional funds in amounts necessary for us to repay our indebtedness when such indebtedness becomes due and to meet our other cash needs.

Our wireless switch equipment, as well as the primary means of access to and from our customers to other parties' telecommunications networks, are located in one building.

Our wireless switch, as well as many of the trunk lines and other circuits that provide access to and from our customers for voice services, and to some extent video services, are all housed in one building. Should that building and its contents be damaged severely, our ability to deliver many of our promised services may be substantially affected for extended periods of time, causing us to lose or refund revenue, lose customers, or incur significant costs to repair damage quickly to minimize the loss of revenues and customers. If proper or adequate insurance coverage is not in place, we may incur substantial costs to replace damaged equipment and other assets.

Disruptions of our information technology infrastructure could harm our business.

We depend on our information technology infrastructure to achieve our business objectives. A disruption of our infrastructure could be caused by a natural disaster, manufacturing failure, telecommunications system failure, or defective or improperly installed new or upgraded business management systems. Portions of our IT infrastructure also may experience interruptions, delays, or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. In the event of any such disruption, we may be unable to conduct our business in the normal course. Moreover, our business involves the processing, storage and transmission of data, which would also be negatively affected by such an event. A disruption of our infrastructure could cause us to lose customers and revenue, particularly during a period of heavy demand for our services. We also could incur significant expense in repairing system damage and taking other remedial measures.

Table of Contents

We could suffer a loss of revenue and increased costs, exposure to significant liability, reputational harm, and other serious negative consequences if we sustain cyber-attacks or other data security breaches that disrupt our operations or result in the dissemination of proprietary or confidential information about us or our customers or other third parties.

We manage and store various proprietary information and sensitive or confidential data relating to our operations. We routinely process, store and transmit large amounts of data for our customers, including sensitive and personally identifiable information. We may be subject to breaches of the information technology systems we use for these purposes. Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions, or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our systems. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system.

The costs to us to eliminate or address the foregoing security problems and security vulnerabilities before or after a cyber incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays, or cessation of service, and loss of existing or potential customers that may impede our critical functions. We could lose existing or potential customers for our services in connection with any actual or perceived security vulnerabilities in the services. In addition, breaches of our security measures and the unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers or other third parties could expose us, our customers, or other third parties affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation, or otherwise harm our business.

We are subject to laws, rules and regulations relating to the collection, use and security of user data. Our operations are also subject to federal and state laws governing information security. In the event of an information security breach, such rules may require consumer and government agency notification and may result in regulatory enforcement actions with the potential of monetary forfeitures. Our ability to execute transactions and to possess and use personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require us to notify customers or employees of a data security breach. We have incurred, and will continue to incur, expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

Risks Relating to the Pending Merger and the Pending Sprint Transactions

We may be unable to obtain the governmental and regulatory approvals required to consummate the Merger and the Sprint Transactions, or required governmental and regulatory approvals may delay the Merger or the Sprint Transactions or result in the imposition of conditions that are not favorable to us or that could cause the parties to abandon the Merger or the Sprint Transactions.

Our ability to complete the Merger and the Sprint Transactions is subject to risks and uncertainties, including, but not limited to, the risks that we may be unable to obtain the governmental and regulatory approvals required to consummate the Merger and the Sprint Transactions, or required governmental and regulatory approvals may delay the Merger or the Sprint Transactions or result in the imposition of conditions that are not favorable to us or that could cause the parties to abandon the Merger or the Sprint Transactions. If the Merger is not completed for any reason, our ongoing business may be materially and adversely affected and we may fail to realize any of the anticipated benefits of having completed the Merger.

Table of Contents

Failure to complete the Merger and the Sprint Transactions could have a material adverse effect on our financial condition and results and could negatively impact our stock price.

We have incurred and will continue to incur significant transaction costs relating to the Merger and the Sprint Transactions, including legal, accounting, financial advisory, regulatory and other expenses. In connection with the Merger and the Sprint Transactions, we currently expect to incur regulatory costs, professional fees and other transaction-related fees and expenses until the Merger and the Sprint Transactions are completed successfully or abandoned. Such costs could total approximately $30 to $35 million. In general, these expenses are payable regardless of whether the Merger or the Sprint Transactions are completed successfully. If the Merger is not completed successfully, we may be obligated, depending on the specific circumstances, to pay nTelos a termination fee of $25 million or $8.8 million, plus reimbursement of up to $2.5 million in fees, costs and expenses incurred by nTelos in connection with the Merger. The payment of such termination fees and reimbursements could have a material adverse effect on our financial condition, results of operations or cash flows. In addition, we could face litigation in the event the Merger or the Sprint Transactions are not consummated, which could subject us to significant liability for damages and result in the incurrence of substantial additional legal fees. The current market price of our common stock may reflect an assumption that the Merger and the Sprint Transactions will be consummated, and failure to complete the Merger or the Sprint Transactions could result in a decline in our stock price.

If completed, the Merger and the Sprint Transactions may not achieve the intended benefits or may disrupt our current plans and operations.

If we are not able to integrate the business and assets of nTelos in an efficient and effective manner, the anticipated benefits and cost savings may not be realized fully, or at all, or may take longer to realize than expected, and the financial results of our operations may be affected materially and adversely. An inability to realize the full extent of the anticipated benefits of the Merger, the Sprint Transactions and the other transactions contemplated by the Merger Agreement, as well as any delays encountered in the integration process, could have a material adverse effect upon our revenues, level of expenses and operating results, which may adversely affect the value of our common stock following the Merger. In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized.

As integration planning has progressed since the date of the Merger Agreement and the Master Agreement, certain of our past assumptions about the migration of nTelos customers and systems have materially changed. We now expect that the migration process could extend through 2017. This extended migration process will result in us incurring additional one-time costs associated with, among other things, maintaining the nTelos core network, providing additional customer care and, in certain circumstances, customer device replacement. We expect that the aggregate amount of non-recurring costs associated with the Merger and the Sprint Transactions could be as much as twice the amount of our previous estimates.

Actual growth and cost synergies from the Merger and Sprint Transactions, if achieved, may be lower than what we expect and may take longer to achieve than anticipated. If we are not able to adequately address integration challenges, we may be unable to successfully integrate the business and assets of nTelos or to realize the anticipated benefits of the Merger and the Sprint Transactions.

The integration of the business and assets of nTelos will require significant time and focus from our management following the Merger, and may divert attention from our day-to-day operations and our other businesses. Additionally, consummation of the Merger and the Sprint Transactions could disrupt current plans and operations, which could delay the achievement of our strategic objectives.

Table of Contents

We may be unable to retain our and/or nTelos' customers, key management personnel and other key employees successfully after the Merger and the Sprint Transactions are completed, which could materially and adversely affect the future business and operations of the combined company.

The success of the Merger and the Sprint Transactions will depend in part on our ability to retain customers and retain, motivate and recruit key executives and employees. Current nTelos customers may experience uncertainty while the Merger is pending or during the migration process to Sprint's billing platform after the consummation of the Merger, which may materially and adversely affect the future business and operations of the combined company. It is also possible that key employees currently employed by nTelos and by us may decide not to remain with nTelos or with us, as applicable, while the Merger is pending or with us after the Merger is consummated. If key employees terminate their employment, or if an insufficient number of employees are retained to maintain effective operations, our business activities may be adversely affected and management's attention may be diverted from successfully integrating the business and assets of nTelos to hiring suitable replacements, all of which may cause our business to suffer. In addition, we and nTelos may not be able to locate suitable replacements for any key employees who leave either company, or offer employment to potential replacements on reasonable terms.

Risks Related to the Wireless Industry

New disclosure or usage requirements could adversely affect the results of our wireless operations.

The FCC is considering imposing additional consumer protection requirements upon wireless service providers, including billing-related disclosures and usage alerts. Such requirements could increase costs related to or impact the amount of revenue we receive from our wireless services.

Customer concerns over radio frequency emissions may discourage use of wireless handsets or expose us to potential litigation.

In the past, media reports have suggested that certain radio frequency emissions from wireless handsets may be linked to various health problems, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Additionally, the FCC has commenced a rulemaking and notice of inquiry that seeks public comment on a variety of issues, including whether revisions to the existing radio frequency standards and testing requirements are warranted. Any decrease in demand for wireless services, increases in the costs of litigation, or damage awards resulting from substantiation of harm from such emissions could impair our ability to sustain profitable operations.

Regulation by government or potential litigation relating to the use of wireless phones while driving could adversely affect the results of our wireless operations.

Some studies have indicated that some aspects of using wireless phones while driving may impair drivers' attention in certain circumstances, making accidents more likely. These concerns could lead to litigation relating to accidents, deaths or serious bodily injuries, or to new restrictions or regulations on wireless phone use. A number of state and local governments are considering or have enacted legislation that would restrict or prohibit the use of a wireless handset while driving a vehicle or, alternatively, require the use of a hands-free handset. Additionally, certain federal agencies have adopted rules and proposed guidelines for the use of wireless handsets while operating commercial and non-commercial vehicles. These rules, and any legislation that could be enacted, may require wireless service providers to supply to their subscribers hands-free enhanced services, such as voice-activated dialing and hands-free speaker phones and headsets, in order to continue generating revenue from subscribers, who make many of their calls while on the road. If we are unable to provide hands-free services and products to subscribers in a timely and adequate fashion, the volume of wireless phone usage would likely decrease, and the ability of our wireless operations to generate revenues would suffer.

28

Table of Contents

Risks Related to our Wireless Services

The performance of our wireless service provider Shenandoah Personal Communications, LLC, our largest operating subsidiary in terms of revenues and assets, may be adversely affected by any interruption in, or other adverse change to, Sprint's business.

We rely on Sprint's ongoing operations to continue to offer our wireless subscribers the seamless national services that we currently provide. Any interruption in, or other adverse change to, Sprint's business could adversely affect our results of operations, liquidity and financial condition. Our business could also be adversely affected if competing national or regional wireless carriers are able to introduce new products and services or otherwise satisfy customers' service demands more rapidly or more effectively than Sprint.

Our participation in Sprint's network modernization plan may affect our operating results, liquidity and financial position.

Sprint continues to modernize its wireless network with the intention of improving voice quality, coverage and data speeds and simultaneously reducing future operating costs. We participate in this plan, and to date, have upgraded the network in our service areas.

The continuing success of Sprint's modernization plans will depend on the timing, extent and cost of implementation and the performance of third parties. Future activities include incorporating the 2.5 gigahertz spectrum to be acquired from Sprint. Should Sprint's implementation plan be delayed, our margins could be adversely affected and such effects could be material. Should Sprint's future delivery of services expected to be deployed on the upgraded network be delayed, it could potentially result in the loss of customers to our competitors, and adversely affect our revenues, profitability and cash flows from operations.

Our business may suffer as a result of competitive pressures.

Our revenue growth is primarily dependent on the growth of the subscriber base and monthly recurring charges to subscribers. Since 2014, competitive pressures have moved the focus from unlimited individual plans to family shared data plans. These competitive pressures in the wireless telecommunications market could cause some major carriers to offer plans with increasingly larger bundles of minutes of use and data services at lower prices. Increased price competition will lead to lower monthly recurring charges or a loss of subscribers in the future. Continued competitive pressures in 2016 and beyond could require Sprint to lower its prices, which will limit growth in monthly recurring charges to subscribers.

We may not be able to implement our business plan if our operating costs are higher than we anticipate.

Increased competition may lead to higher promotional costs to acquire subscribers. If these costs are more than we anticipate, the actual amount of funds available to implement our operating strategy and business plan may fall short of our estimates.

The dynamic nature of the wireless market may limit management's ability to correctly identify causes of volatility in key operating performance measures.

Our business plan and estimated future operating results are based on estimates of key operating performance measures, including subscriber growth, subscriber turnover (commonly known as churn), average monthly revenue per subscriber, equipment revenue, and subscriber acquisition costs and other operating costs. Recent moves by all carriers to offer installment billing and leasing for handsets will have an effect on revenues, cost of goods sold, and churn. Since these plans are new to the industry, the full impact of these changes cannot be determined at this time.

The dynamic nature of the wireless market, economic conditions, increased competition in the wireless telecommunications industry, the entry of new competitors due to recent or future FCC spectrum auctions, new service offerings by Sprint or competitors at lower prices, and other issues facing the wireless telecommunications industry in general have created a level of uncertainty that may adversely affect our ability to predict these key measures of performance.

Table of Contents

We may experience a high rate of subscriber turnover, which could adversely affect our future financial performance.

Subscriber loss, or churn, has been relatively stable in recent years. Because of significant competition in the industry, the popularity of prepaid wireless service offerings, changes to Sprint's competitive position and a new economic downturn, among other factors, this relative stability may not continue and the future rate of subscriber turnover may be higher than in recent periods.

A high rate of subscriber loss could increase the sales and marketing costs we incur in obtaining new subscribers, especially because, consistent with industry practice, even with the introduction of handset installment billing and leasing, we expect to continue to subsidize a significant portion of the costs related to the purchases of handsets by some subscribers.

We may incur significantly higher wireless handset subsidy costs than we anticipate for existing subscribers who upgrade to a new handset.

As our subscriber base matures, and technological innovations occur, we anticipate that existing subscribers will continue to upgrade to new wireless handsets. To discourage customer defections to competitors, we offer price plans that subsidize a portion of the price of wireless handsets and in some cases incur sales commissions for handset upgrades. If more subscribers upgrade to new subsidized wireless handsets than we project, or if the cost of such handsets increases or the amount of handset subsidies offered in the competitive marketplace increases more than we project, our results of operations would be adversely affected. If we do not continue to offer the option to subsidize the cost of the handsets for handset upgrades, subscribers could choose to deactivate the service and move to other carriers.

If we are unable to secure and retain tower sites, the level of service we provide could be adversely affected.

Many of our cell sites are co-located on leased tower facilities shared with one or more wireless providers. A large portion of these leased tower sites are owned by a limited number of companies. If economic conditions affect the leasing company, our ability to enter into leases at new locations may be affected, which could leave portions of our service area without service and increase customer turnover.

Most of the towers that we own are located on leased real property. If such leases were not renewed, we could be forced to relocate our cell site, which would create significant additional expenses, or leave portions of our service area without service, increasing the likelihood of customer turnover.

Risks Related to Our Relationship with Sprint

Sprint may make business decisions that are not in our best interests, which may adversely affect our relationships with subscribers in our territory, increase our expenses and decrease our revenues.

Under its agreements with us, Sprint has a substantial amount of control over the conduct of our wireless business. Accordingly, Sprint may make decisions that could adversely affect our wireless business, such as the following:

- Sprint could price its national plans based on its own objectives and could set price levels or other terms that may not be economically advantageous for us;

- Sprint could develop products and services that could adversely affect our results of operations;

- if Sprint's costs to perform certain services exceed the costs they expect, subject to limitations under our agreements, Sprint could seek to increase the amounts charged to us for such services;

Table of Contents

- Sprint could make decisions that could adversely affect the Sprint brand names, products or services;
- Sprint could make technology and network decisions that could greatly increase our capital investment requirements and our operating costs to continue offering the seamless national service we provide;
- Sprint could restrict our ability to offer new services needed to remain competitive. This could put us at a competitive disadvantage relative to other wireless service providers if they begin offering new services in our market areas, increasing our churn and reducing our revenues and operating income from wireless services.

Our dependence on Sprint for services may limit our ability to forecast operating results.

Our dependence on Sprint injects a degree of uncertainty into our business and financial planning. We may, at times, disagree with Sprint concerning the applicability, calculation approach, or accuracy of Sprint-supplied revenue data. It is our practice to reflect the information supplied by Sprint in our financial statements for the applicable periods and to make corrections, if any, no earlier than the period in which Sprint and we agree to the corrections.

Inaccuracies in data provided by Sprint could overstate or understate our expenses or revenues and result in out-of-period adjustments that may adversely affect our financial results.

Because Sprint provides billing and collection services for us, Sprint remits a significant portion of our total revenues. We rely on Sprint to provide accurate, timely and sufficient data and information to enable us to properly record revenues, expenses and accounts receivable which underlie a substantial portion of our financial statements and other financial disclosures. We and Sprint could discover errors or inaccuracies, which, while not material to Sprint, could be material to us. If we are required in the future to make adjustments or incur charges as a result of errors or inaccuracies in data provided by Sprint, such adjustments or charges could materially affect our financial results for the period with respect to which the adjustments are made or charges are incurred. Such adjustments or charges could require restatement of our financial statements.

We are subject to risks relating to Sprint’s provision of back office services, and changes in products, services, plans and programs.

Any failure by Sprint to provide high-quality back office services could lead to subscriber dissatisfaction, increased churn or otherwise increased costs. We rely on Sprint’s internal support systems, including customer care, billing and back office support. Our operations could be disrupted if Sprint is unable to provide and expand its internal support systems while maintaining acceptable service levels, or to efficiently outsource those services and systems through third-party vendors.

In addition, restrictions exist, and new restrictions are considered from time to time by Congress, federal agencies and states, on the extent to which wireless customers may receive unsolicited telemarketing calls, text messages, junk e-mail or spam. Our reliance on Sprint to perform those functions could subject the company to potential liabilities. For example, an FCC enforcement action in 2015 resulted in a significant fine assessed upon Sprint following investigations that revealed the company had improperly billed customers millions of dollars in unauthorized third-party premium text messaging services.

The competitiveness of Sprint’s wireless products and services is a key factor in our ability to attract and retain subscribers. Changes in Sprint’s wireless products and services may reduce subscriber additions, increase subscriber turnover and decrease subscriber credit quality.

Sprint’s roaming arrangements to provide service outside of the Sprint National Network may not be competitive with other wireless service providers, which may restrict our ability to attract and retain subscribers and may increase our costs of doing business.

Table of Contents

We rely on Sprint's roaming arrangements with other wireless service providers for coverage in areas where Sprint wireless service is not available. If customers are not able to roam quickly or efficiently onto other wireless networks, we may lose current subscribers and Sprint wireless services may be less attractive to new subscribers.

The risks related to our roaming arrangements include the following:

- the quality of the service provided by another provider while roaming may not approximate the quality of the service provided by the Sprint wireless network;

- the price of a roaming call off network may not be competitive with prices of other wireless companies for roaming calls, or may not be "commercially reasonable" (as determined by the FCC);

- customers may not be able to use Sprint's advanced features, such as voicemail notification, while roaming; and

- Sprint or the carriers providing the service may not be able to provide accurate billing information on a timely basis.

Some provisions of the Sprint agreements may diminish the value of our common stock and restrict or diminish the value of our business.

Under limited circumstances involving non-renewal of our agreement or a breach by us, Sprint may purchase the operating assets of our wireless operations at a discount of 20% in the event of non-renewal, or 28% in the event of a breach. These discounts would be applied to the "entire business value" ("EBV") as that term is defined in our agreement with Sprint. EBV is defined as i) the fair market value of a going concern paid by a willing buyer to a willing seller in a change of control transaction; ii) valued as if the business will continue to utilize existing brands and operate under existing agreements; and, iii) valued as if we have continued use of the spectrum then in use in the network. Determination of EBV is made by an independent appraisal process. In addition, Sprint must approve any assignment of the Sprint agreements by us. Sprint also has a right of first refusal to purchase our wireless operating assets if we decide to sell those assets to a third party. These restrictions and other restrictions contained in the Sprint agreements could adversely affect the value of our common stock, may limit our ability to sell the foregoing assets on advantageous terms, may reduce the value a buyer would be willing to pay, and may reduce the EBV, as described in the Sprint agreements.

We may have difficulty in obtaining an adequate supply of handsets from Sprint.

We depend on our relationship with Sprint to obtain handsets. Sprint orders handsets from various manufacturers. We could have difficulty obtaining specific types of handsets in a timely manner if:

- Sprint does not adequately project the need for handsets, or enter into arrangements for new types of handsets or other customer equipment, for itself, its wireless affiliates and its other third-party distribution channels, particularly in connection with the transition to new technologies;

- Sprint gives preference to other distribution channels;

- we do not adequately project our need for handsets;

- Sprint modifies its handset logistics and delivery plan in a manner that restricts or delays access to handsets; or

- there is an adverse development in the relationship between Sprint and its suppliers or vendors.

32

Table of Contents

The occurrence of any of the foregoing could disrupt subscribers' service or result in a decrease in our subscribers.

If Sprint does not continue to enhance its nationwide digital wireless network, we may not be able to attract and retain subscribers.

Our wireless operations are dependent on Sprint's national network. Sprint's digital wireless network may not provide nationwide coverage to the same extent as the networks of its competitors, which could adversely affect our ability to attract and retain subscribers. Sprint currently covers a significant portion of the population of the United States, Puerto Rico and the U.S. Virgin Islands. Sprint offers wireless services, either on its own network or through its roaming agreements, in every part of the United States.

If Sprint's wireless licenses are not renewed or are revoked, our wireless business would be harmed.

Non-renewal or revocation by the FCC of Sprint's wireless licenses would significantly harm us. Wireless spectrum licenses are subject to renewal and revocation by the FCC. There may be opposition to renewal of Sprint's wireless licenses upon their expiration, and Sprint's wireless licenses may not be renewed. The FCC has adopted specific standards to apply to wireless license renewals. Any failure by Sprint to comply with these standards could cause revocation or forfeiture of Sprint's wireless licenses.

If Sprint does not maintain control over its licensed spectrum, our Sprint agreements may be terminated, which would render us unable to continue providing service to our subscribers. Sprint may also need additional spectrum to keep up with customer demands and the availability and cost of this spectrum could have an impact on our wireless business.

Risks Related to Our Cable Services

We face risks from increasing competition for the provision of cable and related video services.

Incumbent cable companies, which have historically provided video service, face competition from direct broadcast satellite providers, and more recently from large providers of wireline telecommunications services (such as Verizon, Centurylink and AT&T), which have begun to upgrade their networks to provide video services in addition to voice and broadband services. Wireless providers are also entering the market for video services by making such services available on handsets and tablets. In some areas, direct broadcast satellite providers have partnered with large incumbent telecommunications service providers to offer triple-play services. Moreover, consumers are increasingly accessing video content from alternative sources, such as Internet-based "over the top" providers and applications. The influx of competitors in this area, together with the development of new technologies to support them, are resulting in significant changes in the video business models and regulatory provisions that have applied to the provision of video and other services. These developments may lead to a decline in the price and profitability of video and related services.

Our programming costs are subject to demands for increased payments.

The cable television industry has continued to experience an increase in the cost of programming, especially sports programming. In addition, as we add programming to our video services for existing customers or distribute existing programming to more customers, we incur increased programming expenses. Broadcasters affiliated with major over-the-air network services have been increasing their demands for cash payments and other concessions for the right to carry local network television signals on our cable systems. If we are unable to raise our customers' rates or offset such increased programming and retransmission consent costs through the sale of additional services, these increased costs could have an adverse impact on our results of operations. Moreover, as our programming contracts and retransmission agreements with programming providers expire, there can be no assurance that they will be renewed on acceptable terms. The Copyright Office adopted rules in 2014 governing private audits of cable operators' compulsory copyright payments, and any resulting audits initiated by copyright owners could lead to demands for increased copyright payments.

Table of Contents

Changes to key regulatory requirements can affect our ability to compete.

As programming and retransmission consent costs and retail rates increase, Congress and the FCC have expressed concern about the impact on consumers, and they could impose restrictions affecting cable rates and programming packages that could adversely impact our existing business model.

The Company operates cable television systems in largely rural areas of Virginia, West Virginia and Maryland. Virginia has adopted legislation to make it easier for companies to obtain local franchises to provide cable television service. The FCC has adopted new rules which substantially reduce the cost of obtaining a local franchise. These rules may make it easier for the Company to expand its cable television business, but also may result in increased competition for such business.

Many franchises establish comprehensive facilities and service requirements, as well as specific customer service standards and monetary penalties for non-compliance. In many cases, franchises are terminable if the franchisee fails to comply with significant provisions set forth in the franchise agreement governing system operations. Franchises are generally granted for fixed terms and must be periodically renewed. Franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate. Franchise authorities often demand concessions or other commitments as a condition to renewal. In some instances, local franchises have not been renewed at expiration, and we have operated and are operating under either temporary operating agreements or without a franchise while negotiating renewal terms with the local franchising authorities. We cannot assure you that we will be able to comply with all significant provisions of our franchise agreements. Additionally, although historically we have renewed our franchises without incurring significant costs, we cannot assure you that we will be able to renew, or to renew as favorably, our franchises in the future. A termination of or a sustained failure to renew a franchise in one or more key markets could adversely affect our business in the affected geographic area.

Pole attachments are wires and cables that are attached to utility poles. Cable system attachments to investor-owned public utility poles historically have been regulated at the federal or state level, generally resulting in reasonable pole attachment rates for attachments used to provide cable service. In contrast, utility poles owned by municipalities or cooperatives are not subject to federal regulation and are generally exempt from state regulation and their attachment rates tend to be higher. Future regulatory changes in this area could impact the pole attachment rates we pay utility companies.

In December 2014, Congress repealed a prohibition on cable operators offering set-top boxes with integrated security and navigational features (effective December 4, 2015), but also directed the FCC to establish a working group of “technical experts” to identify downloadable security design options to facilitate consumer use of retail navigation devices in lieu of set-top boxes provided by cable operators. The working group issued its report in August 2015. In February 2016, the FCC initiated a new rulemaking proceeding and proposed new rules that would require us and other MVPDs to make changes to our networks to enable customer-owned third party devices to access our video services in lieu of our leased set-top boxes. Specifically, the FCC’s proposal would require MVPDs to offer three so-called “information flows” to third-party device makers, which would include: (1) information about programming availability; (2) information about what a device is permitted to do with the content; and (3) the video program content itself. If adopted as currently proposed by the FCC, the proposal could require us to undertake costly steps to re-engineer our network, and it could have a significant impact on our ability to deliver cable television services and compete with other video service providers, including those providing so-called “over-the-top” video services. We cannot predict the nature and pace of these and other developments or the effect they may have on our operations. New regulations could increase our cost for equipment, affect our relationship with our customers, and/or enable third parties to try to offer equipment that accesses disaggregated cable content merged with other services delivered over the Internet to compete with our premium service offerings.

34

Table of Contents

Any significant impairment of our non-amortizing cable franchise rights would lead to a decrease in our assets and a reduction in our net operating performance.

At December 31, 2015, we had non-amortizing cable franchise rights of approximately $64.1 million which constituted approximately 10.2% of total assets at that date. If we make changes in our business strategy or if market or other conditions adversely affect our cable operations, we may be forced to record an impairment charge, which would lead to a decrease in the carrying value of the Company's assets and reduction in our net operating performance. We test non-amortizing intangible assets for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value of the non-amortizing intangible assets and the fair value of the non-amortizing intangible assets, in the period in which the determination is made. The testing of non-amortizing intangible assets for impairment requires the Company to make significant estimates about the future performance and cash flows of our Cable segment, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in underlying business operations, future reporting unit operating performance, changes in competition, or changes in technologies. Any changes to key assumptions about our Cable segment's business and its future prospects, or actual performance compared with those assumptions, or other assumptions, could affect the fair value of our Cable segment non-amortizing intangibles, resulting in an impairment charge.

Risks Related To Our Broadband Services

Our broadband services may be adversely impacted by legislative or regulatory changes that affect our ability to develop and offer services or that could expose us to liability from customers or others.

The Company provides broadband Internet access services to its cable and telephone customers through cable modems and DSL. The FCC has adopted "open internet" rules, also referred to as "net neutrality," that could affect the Company's provision of broadband services.

On February 26, 2015, in response to a federal appellate court ruling invalidating the FCC's initial "open Internet" rules, the FCC adopted an order imposing new rules regulating broadband Internet access service. The Order reclassifies wireline and wireless broadband services as Title II common carrier services, and asserts legal authority to regulate broadband service offered by ISPs under Title II, Title III, and Section 706 of the Telecommunications Act. In an effort to protect consumers and edge providers, the new rules would prohibit ISPs from engaging in blocking, throttling, and paid prioritization, and the existing transparency rules would be enhanced. Reasonable network management activities would remain permitted. For the first time, under this Order the FCC has authority to hear complaints and take enforcement action if it determines that the interconnection of ISPs are not just and reasonable, or if ISPs fail to meet a new general obligation not to harm consumers or edge providers. The Order forbears (at least for now) from certain Title II regulation, such as rate regulation, tariffs and last-mile unbundling. It does not propose assessment of USF fees on broadband at this time. The Order has been appealed by multiple parties, but the rules are currently in effect (except for the expanded disclosure requirements, which will not become effective until they receive approval from the Office of Management and Budget). The Order could have a material adverse effect on our business and results of operations. There are also legislative proposals in Congress to preempt the Chairman's proposed "utility-style" regulation, while still addressing many of the underlying concerns. We do not know at the current time if the new regulations will survive judicial review, nor do we know how they would be administered if they do, but they could limit our ability to efficiently manage our cable systems and respond to operational and competitive challenges. Such rules or statutes could also restrict arrangements between us and Internet content, application, and service providers, including backbone connection arrangements. In addition, if the FCC were to adopt new rules under a Title II framework, the reclassification of broadband services as Title II common carrier services could subject our services to far more extensive and burdensome federal and state regulation.

35

Table of Contents

On January 29, 2015, the FCC, in a nation-wide proceeding evaluating whether “advanced broadband” is being deployed in a reasonable and timely fashion, increased the minimum connection speeds required to qualify as advanced broadband service to 25 Mbps for downloads and 3 Mbps for uploads. As a result, the FCC concluded that advanced broadband was not being sufficiently deployed and initiated a new inquiry into what steps it might take to encourage broadband deployment. This action may lead the FCC to adopt additional measures affecting our broadband business. At the same time, the FCC has ongoing proceedings to allocate additional spectrum for advanced wireless service, which could provide additional wireless competition to our broadband business.

Risks Related to Our Voice Services

Offering voice communications service may subject us to additional regulatory burdens, causing us to incur additional costs.

We offer voice communications services over our broadband network and continue to develop and deploy VoIP services. The FCC has ruled that competitive telephone companies that support VoIP services, such as those we offer our customers, are entitled to interconnect with incumbent providers of traditional telecommunications services, which ensures that our VoIP services can compete in the market. The scope of these interconnection rights are being reviewed in a current FCC proceeding, which may affect our ability to compete in the provision of voice services or result in additional costs. The FCC has also declared that certain VoIP services are not subject to traditional state public utility regulation. The full extent of the FCC preemption of state and local regulation of VoIP services is not yet clear. It is not clear how the FCC Chairman’s proposal to reclassify wireline and wireless broadband services as Title II common carrier services, and subject to Section 706, will affect the regulatory status of our VoIP services. Expanding our offering of these services may require us to obtain certain additional authorizations. We may not be able to obtain such authorizations in a timely manner, or conditions could be imposed upon such licenses or authorizations that may not be favorable to us. Telecommunications companies generally are subject to other significant regulation which could also be extended to VoIP providers. If additional telecommunications regulations are applied to our VoIP service, it could cause us to incur additional costs.

The FCC has already extended certain traditional telecommunications carrier requirements to many VoIP providers such as us, including E911, USF collection, CALEA, privacy of CPNI, number porting, rural call completion, outage reporting, disability access and discontinuance of service requirements. In November 2014, the FCC adopted an order imposing limited backup power obligations on providers of facilities-based fixed, residential voice services that are not otherwise line-powered, including our VoIP services. This order will become effective for providers with fewer than 100,000 U.S. customer lines in August 2016 and at that time will require the company to disclose certain information to customers and to make available back up power at the point of sale.

In November 2011, the FCC released an order significantly changing the rules governing intercarrier compensation payments for the origination and termination of telephone traffic between carriers, including VoIP service providers like us. The Tenth Circuit Court of Appeals upheld the rules in May, 2014. The new rules will result in a substantial decrease in intercarrier compensation payments over a multi-year period. In addition, the potential transition of Local Number Portability Administrators may impact our ability to manage number porting and related tasks, and/or may result in additional costs arising from the transition to a new administrator.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

The Company owns its corporate headquarters, which occupies a 60,000-square foot building in Edinburg, Virginia. The Company owns three additional buildings in Edinburg:

- a 26,500-square foot building that houses the Company's main switching center and technical staff,
- a 14,000-square foot building that includes warehouse space and houses operations staff, and
- a 10,700-square foot building used for customer services and retail sales.

The Company owns nine telephone exchange buildings that are located in the major towns and some of the rural communities that are served by the regulated telecommunications operations. These buildings contain switching and fiber optic equipment and associated local exchange telecommunications equipment. The Company owns a building that houses customer service operations in Rustburg, Virginia. The Company has fiber optic hubs or points of presence in Maryland, Virginia and West Virginia.

The Company leases land, buildings and tower space in support of its Wireless operations. As of December 31, 2015, the Company had 555 PCS sites, including Wireless sites on property owned by the Company, and 16 leased retail locations.

The Company owns or leases other warehouse, office and retail space in various locations to support its operations. The leases for the foregoing land, buildings and tower space expire on various dates between 2016 and 2040. For information about these leases, see Note 12 to the consolidated financial statements appearing elsewhere in this report. The Company plans to lease additional land, equipment space, and retail space in support of its operations.

ITEM 3. LEGAL PROCEEDINGS

On August 24, 2015, Mr. Marvin Westen and Mr. Paul Sekerak each filed a putative class action lawsuit challenging the Merger in which the Company, Merger Sub, nTelos and members of the nTelos board of directors have been named as defendants. The stockholders actions were filed in the Court of Chancery of the State of Delaware. These actions are styled Marvin Westen v. Michael A. Huber, et al., Case No. CA-11421, and Paul Sekerak v. nTelos Holdings Corp., et al., Case No. CA-11422. The actions generally allege, among other things, that each member of the nTelos board of directors breached fiduciary duties to nTelos and its stockholders by agreeing to sell nTelos for consideration deemed “inadequate” and by agreeing to deal protection terms that allegedly foreclose competing offers. Plaintiffs also allege that the Company and Merger Sub (or, in the case of Mr. Sekerak, the Company and nTelos) purportedly aided and abetted the foregoing breaches. Plaintiffs seek, among other things, injunctive relief preventing consummation of the Merger (and/or directing rescission of the transaction, to the extent already implemented), unspecified damages and an award of plaintiff’s expenses and attorneys’ fees. The Company believes these claims are without merit and intend to defend the Company and Merger Sub vigorously.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

Table of Contents

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company declared a two-for-one split of the Company’s common stock, for shareholders of record as of the close of business on December 31, 2015. All historical share amounts have been doubled and all historical per share amounts have been halved throughout this document. The Company's stock is traded on the NASDAQ Global Select Market under the symbol “SHEN.”

The following table shows the closing high and low sales prices per share of common stock as reported by the NASDAQ Global Select Market for each quarter during the last two years:

2015	High	Low
Fourth Quarter	$25.34	$20.44
Third Quarter	21.57	15.77
Second Quarter	18.22	15.29
First Quarter	16.45	13.78

2014	High	Low
Fourth Quarter	$16.00	$12.09
Third Quarter	15.53	12.41
Second Quarter	16.31	12.83
First Quarter	16.73	11.68

As of February 17, 2016, there were 4,186 holders of record of the Company’s common stock.

Shenandoah Telecommunications Company historically has paid annual cash dividends on or about December 1 of each year. The cash dividend was $0.24 per share in 2015 and $0.235 per share in 2014. Dividends are paid to Shenandoah Telecommunications Company shareholders from accumulated dividends paid to it by its operating subsidiaries. Under the Company’s credit agreement with CoBank dated September 14, 2012, the Company is restricted in its ability to pay dividends in the future. So long as no Default or Event of Default (as such term is defined in the credit agreement) exists before, or will result after giving effect to such dividends, distributions or redemptions on a pro forma basis, the Company may declare or pay a lawful dividend or other distribution of assets, or retire, redeem, purchase or otherwise acquire capital stock in an aggregate amount which when added to any such dividends, distributions or redemptions of capital stock or other equity interest made, declared or paid from and after January 1, 2012 does not exceed $5 million plus 50% of the Company’s consolidated net income (excluding non-cash extraordinary items such as write-downs or write-ups of assets, other than current assets) from January 1, 2012 to the date of declaration of any such dividends, distributions or redemptions.

The following graph and table show the cumulative total shareholder return on the Company’s common stock compared to the NASDAQ US Index and the NASDAQ Telecommunications Index for the period between December 31, 2010 and December 31, 2015. The NASDAQ Telecommunications Index includes 33 companies that represent a wide mix of telecommunications service and equipment providers and smaller carriers that offer similar products and serve similar markets. The graph assumes $100 was invested on December 31, 2010 in the Company’s common stock, and the other two indexes, and that all dividends were reinvested and market capitalization weighting as of December 31, 2011, 2012, 2013, 2014 and 2015.

Table of Contents

Our performance graphs use comparable indexes provided by NASDAQ OMX Global Indexes.

	2010	2011	2012	2013	2014	2015
Shenandoah Telecommunications Company	100	58	86	147	182	253
NDAQ US	100	118	137	183	206	207
NDAQ Telecom Stocks	100	127	152	172	177	183

The Company maintains a dividend reinvestment plan (the "DRIP") for the benefit of its shareholders. When shareholders remove shares from the DRIP, the Company issues a certificate for whole shares, pays out cash for any fractional shares, and cancels the fractional shares purchased. In addition, in conjunction with the award of shares or exercises of stock options, the Company periodically repurchases shares from certain recipients to cover the minimum statutory tax withholding requirements associated with the transaction. The following table provides information about the Company's repurchases of shares during the three months ended December 31, 2015:

	Number of Shares Purchased	Average Price Paid per Share
October 1 to October 31	293	$ 23.55
November 1 to November 30	3,004	24.11
December 1 to December 31	283	21.17
Total	3,580	$ 23.84

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial data as of December 31, 2015, 2014, 2013, 2012, and 2011 and for each of the years in the five-year period ended December 31, 2015.

The selected financial data as of December 31, 2015 and 2014 and for each of the years in the three-year period ended December 31, 2015 are derived from the Company's audited consolidated financial statements appearing elsewhere in this report. The selected financial data as of December 31, 2013, 2012, and 2011 and for the years ended December 31, 2012 and 2011 are derived from the Company's audited consolidated financial statements not included in this report.

The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto appearing elsewhere in this report.

(in thousands, except share and per share data; all share and per share data have been adjusted to reflect the two-for-one stock split effective December 31, 2015)

	2015	2014	2013	2012	2011
Operating revenues	$342,485	$326,946	$308,942	$288,075	$251,145
Operating expenses	268,399	265,003	253,535	253,417	218,855
Operating income	74,086	61,943	55,407	34,658	32,290
Interest expense	7,355	8,148	8,468	7,850	8,289
Income taxes	27,726	22,151	19,878	12,008	10,667
Net income from continuing operations	$40,864	$33,883	$29,586	$16,603	$13,538
Discontinued operations, net of tax (a)	-	-	-	(300)	(545)
Net income	$40,864	$33,883	$29,586	$16,303	$12,993
Total assets	628,740	619,242	597,006	570,740	479,979
Total debt – including current maturities	201,250	224,250	230,000	231,977	180,575
Shareholder Information:					
Shares outstanding	48,475,132	48,264,994	48,080,554	47,924,220	47,675,056
Income per share from continuing operations-diluted	$0.84	$0.70	$0.62	$0.35	$0.28
Loss per share from discontinued operations-diluted	-	-	-	(0.01)	(0.01)
Net income per share-diluted	0.83	0.70	0.61	0.34	0.27
Cash dividends per share	$0.24	$0.235	$0.18	$0.165	$0.165

(a) Discontinued operations include the operating results of Converged Services. The Company announced its intention to dispose of Converged Services in September 2008, and reclassified its operating results as discontinued operations. The Company completed the disposition of Converged Services properties during 2013.

Table of Contents

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

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding our expectations, hopes, intentions, or strategies regarding the future. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include those discussed in this report under "Business-Competition" and "Risk Factors." The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances, except as required by law.

General

Overview. Shenandoah Telecommunications Company is a diversified telecommunications company providing both regulated and unregulated telecommunications services through its wholly owned subsidiaries. These subsidiaries provide wireless personal communications services (as a Sprint PCS affiliate), local exchange telephone services, video, internet and data services, long distance services, fiber optics facilities, and leased tower facilities. The Company has three reportable segments, which the Company operates and manages as strategic business units organized by lines of business: (1) Wireless, (2) Cable, and (3) Wireline.

* The Wireless segment provides digital wireless service as a Sprint PCS Affiliate to a portion of a four-state area covering the region from Harrisburg, York and Altoona, Pennsylvania, to Harrisonburg, Virginia. In this area, the Company is the exclusive provider of wireless mobility communications network products and services on the 800 MHz, 1900 MHz and 2.5 GHz bands under the Sprint brand. This segment also owns cell site towers built on leased land, and leases space on these towers to both affiliates and non-affiliated service providers.

* The Cable segment provides video, internet and voice services in franchise areas in portions of Virginia, West Virginia and western Maryland, and leases fiber optic facilities throughout its service area. It does not include video, internet and voice services provided to customers in Shenandoah County, Virginia.

* The Wireline segment provides regulated and unregulated voice services, DSL internet access, and long distance access services throughout Shenandoah County and portions of Rockingham, Frederick, Warren and Augusta counties, Virginia. The segment also provides video services in portions of Shenandoah County, and leases fiber optic facilities throughout the northern Shenandoah Valley of Virginia, northern Virginia and adjacent areas along the Interstate 81 corridor through West Virginia, Maryland and portions of Pennsylvania.

A fourth segment, Other, primarily includes Shenandoah Telecommunications Company, the parent holding company.

Significant Transactions

The 2015, 2014 and 2013 financial results of the Company reflected several significant transactions. These transactions should be noted in understanding the financial results of the Company for 2015, 2014 and 2013.

Pending Acquisition of nTelos and Related Transactions

On August 10, 2015, we entered into the Merger Agreement with Merger Sub and nTelos, pursuant to which, subject to certain conditions, at the effective time of the Merger, Merger Sub will merge with and into nTelos, with nTelos surviving the Merger as our wholly-owned subsidiary.

Under the terms of the Merger Agreement, which has been approved by the stockholders of nTelos and unanimously approved by the boards of directors of the Company and nTelos, at the effective time of the Merger, each share of nTelos common stock, par value $0.01 per share, of nTelos (“nTelos Common Stock”) issued and outstanding immediately prior to the effective time of the Merger (other than shares held by us, nTelos and any subsidiaries (which will be cancelled) and shares owned by stockholders who properly exercised and perfected a demand for appraisal rights under Delaware law), will be converted into the right to receive the Merger Consideration. This results in a total equity value of nTelos of approximately $208 million, after including shares and other equity-based awards expected to vest on change of control. In accordance with the Merger Agreement, we will repay all existing indebtedness of nTelos as of the closing of the Merger, which was approximately $520 million as of December 31, 2015.

Table of Contents

The completion of the Merger is subject to the satisfaction or waiver of certain conditions, including the approval of the transaction by the FCC and the consummation of the Sprint Transactions. We expect the Merger to close at the end of the first quarter, or the early part of the second quarter, of 2016.

On February 26, 2016, we entered into a letter agreement with nTelos pursuant to which the parties agreed to extend the date after which either we or nTelos may terminate the Merger Agreement, from February 29, 2016 to June 28, 2016, as permitted by the Merger Agreement. While the parties believe that closing will occur at the end of the first quarter or early in the second quarter, the purpose of the extension is to allow the parties additional time to satisfy certain conditions in order to complete the Merger, which would not have been satisfied by the end of February 29, 2016 date.

In connection with the execution of the Merger Agreement, on August 10, 2015, PCS and SprintCom entered into the Master Agreement and, along with certain affiliates of Sprint, entered into the Affiliate Addendum. The closing of the Sprint Transactions will occur simultaneously with, and are conditioned upon, the consummation of the Merger.

Once the Merger and the Sprint Transactions are completed, we will implement comprehensive integration activities for nTelos customers. As part of that process, nTelos customers will be migrated to Sprint and Sprint's billing platforms. As migration planning has progressed since the date of the Merger Agreement and Master Agreement, certain of our past assumptions about the migration have materially changed. We now expect that the migration process could extend through 2017. This extended migration process will result in us incurring additional one-time costs associated with, among other things, maintaining the nTelos core network, providing additional customer care and, in certain circumstances, customer device replacement. We expect that the aggregate amount of non-recurring costs associated with the Merger and the Sprint Transactions could be as much as twice the amount of our previous estimates. We are in discussions with Sprint on potential ways to mitigate the incremental costs associated with the extended migration process.

Network Vision

In February 2012, the Company amended its Management Agreement with Sprint in connection with the Company's commitment to build a 4G LTE network in the Company's service area. Replacement of base stations began in May 2012, proceeded slowly through that August, and accelerated that fall. During 2012, the Company completed upgrades to 200 base stations, and during 2013, completed upgrades to substantially all of its 526 total base stations.

Based upon the initial timetable and revisions, the Company determined that changes to the remaining depreciable lives for base stations and certain other assets were required, adding $3.2 million of additional depreciation expense to 2013's results. The 4G LTE base stations require either fiber or microwave backhaul. Accordingly, the Company replaced the copper-based T1 circuits it previously had or leased with fiber and microwave technology. In addition to incurring the costs to install the new backhaul facilities, the Company incurred duplicate network costs during the replacement period for each base station, early termination fees, and higher monthly costs of the higher capacity circuits (though much less expensive per megabit of capacity) following the upgrade. However, the additional capacity of the new fiber-based backhaul facilities will delay the need to further upgrade its capacity to accommodate additional network traffic. During 2013, based upon Company projections, the Company determined that microwave equipment used to backhaul wireless traffic from approximately 150 of its cell sites would be inadequate to carry its traffic by 2016, and accordingly, reduced the remaining useful life of this class of assets.

Critical Accounting Policies

The Company relies on the use of estimates and makes assumptions that affect its financial condition and operating results. These estimates and assumptions are based on historical results and trends as well as the Company's forecasts as to how these might change in the future. The most critical accounting policies that materially affect the Company's results of operations include the following:

Table of Contents

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered or products have been delivered, the price to the buyer is fixed and determinable and collectability is reasonably assured. Revenues are recognized by the Company based on the various types of transactions generating the revenue. For services, revenue is recognized as the services are performed. For equipment sales, revenue is recognized when the sales transaction is complete.

Under the Sprint Management Agreement, postpaid wireless service revenues are reported net of an 8% Management Fee and, since its imposition effective January 1, 2007, a Net Service Fee retained by Sprint. Initially set at 8.8%, the Net Service Fee increased to 12% during 2010 and to 14%, the maximum allowed, in August 2013. Prepaid wireless service revenues are reported net of a 6% Management Fee.

Allowance for Doubtful Accounts

Estimates are used in determining the allowance for doubtful accounts and are based on historical collection and write-off experience, current trends, credit policies, and the analysis of the accounts receivable by aging category. In determining these estimates, the Company compares historical write-offs in relation to the estimated period in which the subscriber was originally billed. The Company also looks at the historical average length of time that elapses between the original billing date and the date of write-off and the financial position of its larger customers in determining the adequacy of the allowance for doubtful accounts. From this information, the Company assigns specific amounts to be applied against the outstanding receivables. The Company does not carry an allowance for receivables related to Sprint PCS customers. In accordance with the terms of the affiliate contract with Sprint, the Company receives payment from Sprint for the monthly net billings to PCS customers in weekly installments over the following four or five weeks.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company evaluates the recoverability of deferred tax assets generated on a state-by-state basis from net operating losses apportioned to that state. Management uses a more likely than not threshold to make the determination if a valuation allowance is warranted for tax assets in each state. Management evaluates the effective rate of taxes based on apportionment factors, the Company’s operating results, and the various state income tax rates.

Leases

The Company recognizes rent expense on a straight-line basis over the initial lease term and renewal periods that are reasonably assured at the inception of the lease. In light of the Company’s investment in each leased site, including acquisition costs and leasehold improvements, the Company includes the exercise of certain renewal options in the recording of operating leases. Where the Company is the lessor, the Company recognizes revenue on a straight line basis over the non-cancelable term of the lease.

Table of Contents

Long-lived Assets

The Company views the determination of the carrying value of long-lived assets as a significant accounting estimate since the Company must determine an estimated economic useful life in order to properly amortize or depreciate long-lived assets and because the Company must consider if the value of any long-lived assets have been impaired, requiring adjustment to the carrying value.

Economic useful life is the duration of time the asset is expected to be productively employed by us, which may be less than its physical life. The Company's assumptions on obsolescence, technological advances, and other factors affect the determination of estimated economic useful life. The estimated economic useful life of an asset is monitored to determine if it continues to be appropriate in light of changes in business circumstances. For example, technological advances may result in a shorter estimated useful life than originally anticipated. In such a case, the Company would depreciate the remaining net book value of the asset over the new estimated remaining life, increasing depreciation expense on a prospective basis. During 2013, based upon Company projections, the Company determined that microwave equipment used to backhaul wireless traffic from approximately 150 of its cell sites would be inadequate to carry its traffic by 2016, and accordingly, reduced the remaining useful life of this class of assets. Additional depreciation expense was $1.2 million in 2014 and was not significant in 2013.

Intangible Assets

Cable franchises, included in Intangible assets, net, provide us with the non-exclusive right to provide video services in a specified area. While some cable franchises are issued for a fixed time (generally 10 years), renewals of cable franchises have occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of our cable franchises.

Cable franchise rights and other intangible assets with indefinite lives are not amortized but are tested at least annually for impairment. The testing is performed on the value as of November 30 each year, and is generally composed of comparing the book value of the assets to their estimated fair value. Cable franchises are tested for impairment on an aggregate basis, consistent with the management of the Cable segment as a whole, utilizing a greenfield valuation approach. It is the Company's practice to engage an independent appraiser to prepare these fair value analyses.

Intangible assets that have finite useful lives are amortized over their useful lives. Acquired subscriber base assets are amortized using accelerated amortization methods over the expected period in which those relationships are expected to contribute to our future cash flows. Other finite-lived intangible assets are generally amortized using the straight-line method of amortization.

Other

The Company does not have any unrecorded off-balance sheet transactions or arrangements; however, the Company has significant commitments under operating leases.

Table of Contents

Results of Continuing Operations

2015 Compared to 2014

Consolidated Results

The Company's consolidated results from continuing operations for the years ended December 31, 2015 and 2014 are summarized as follows:

(in thousands)	Years Ended December 31,		Change	
	2015	2014	$	%
Operating revenues	$342,485	$326,946	15,539	4.8
Operating expenses	268,399	265,003	3,396	1.3
Operating income	74,086	61,943	12,143	19.6
Other expense, net	5,496	5,909	413	7.0
Income tax expense	27,726	22,151	5,575	25.2
Net income	$40,864	$33,883	6,981	20.6

Operating revenues

Operating revenues increased $15.5 million, or 4.8%. Cable segment revenue grew $13.1 million, primarily as a result of a 5.4% growth in average subscriber counts and an increase in revenue per subscriber. Wireless segment revenues increased $1.3 million compared to 2014. Net prepaid service revenue increased $4.3 million, primarily due to 4.5% growth in average prepaid subscribers over 2014 and higher average revenue per subscriber due to improvements in product mix. Net postpaid service revenues decreased $2.7 million as a 6.7% increase in average postpaid subscribers was more than offset by lower revenue service plans associated with handset financing and leasing programs. Wireline segment revenue increased $4.4 million, led by growth in carrier access fees, fiber revenues, and internet service revenues. Affiliate revenues increased $3.3 million. Affiliate revenues are eliminated from the consolidated totals shown in the table above.

Operating expenses

Total operating expenses increased $3.4 million, or 1.3%, in 2015 compared to 2014. Cost of goods and services sold decreased $8.4 million, primarily due to an $11.8 million decrease in PCS postpaid and prepaid handset costs, partially offset by a $4.1 million increase in cable programming and retransmission consent costs. Selling, general and administrative expenses increased $7.0 million, driven by $3.5 million of expenses associated with the pending acquisition of nTelos and by a $1.8 million increase to support growth of the wireless prepaid business. Depreciation and amortization expense increased $4.8 million, due to a one-time unfavorable adjustment of $2.0 million cumulative impact of additional depreciation on certain assets placed into service in one year and closed out in the fixed asset system in a subsequent year, and to ongoing projects to expand and upgrade the wireless, cable and fiber networks.

Other Expense, net

Interest expense decreased $0.8 million in 2015 from 2014. The decrease resulted from a combination of lower outstanding balances due to principal paydowns in 2015, as well as a decrease in the base rate of 0.25% effective May of 2015 due to improvements in the Company's leverage ratio. Each of these factors contributed approximately $0.4 million to the decrease. The reduction in interest expense was partially offset by reduced gains from investments in 2015.

Income tax expense

The Company’s effective tax rate increased from 39.5% in 2014 to 40.4% in 2015. The increase is primarily attributable to the non-deductible costs for tax purposes related to the pending acquisition of nTelos.

Table of Contents

Net income

Net income increased $7.0 million, or 20.6%, in 2015 from 2014. Growth in subscriber counts in the Wireless and Cable segments, along with a decrease in cost of goods and services sold in the Wireless segment contributed to the increase, but were partially offset by expenses related to the pending acquisition of nTelos and the unfavorable adjustment to depreciation expense.

Wireless

The Company's Wireless segment provides digital wireless service to a portion of a four-state area covering the region from Harrisburg, York and Altoona, Pennsylvania, to Harrisonburg, Virginia, through Shenandoah Personal Communications, LLC ("PCS"), a Sprint PCS Affiliate. Through Shenandoah Mobile, LLC ("Mobile"), this segment also leases land on which it builds Company-owned cell towers, which it leases to affiliated and non-affiliated wireless service providers, throughout the same four-state area described above.

PCS receives revenues from Sprint for subscribers that obtain service in PCS's network coverage area. PCS relies on Sprint to provide timely, accurate and complete information to record the appropriate revenue for each financial period. Postpaid revenues received from Sprint are recorded net of certain fees retained by Sprint. These fees total 22% of postpaid net billed revenue (gross customer billings net of credits and adjustments to customer accounts, and write-offs of uncollectible accounts), as defined by the Affiliate Agreement with Sprint.

The Company offers prepaid wireless products and services in its PCS network coverage area. Sprint retains a Management Fee equal to 6% of prepaid customer billings. Prepaid revenues received from Sprint are reported net of the cost of this fee. Other fees charged on a per unit basis are separately recorded as expenses according to the nature of the expense. The Company pays handset subsidies to Sprint for the difference between the selling price of prepaid handsets and their cost, recorded as a net cost in cost of goods sold. The revenue and expense components reported to us by Sprint are based on Sprint's national averages for prepaid services, rather than being specifically determined by customers assigned to our geographic service areas.

In April 2014, the Company's PCS stores began participating in Sprint's postpaid handset financing programs, whereby Sprint enters into a financing agreement with the subscriber and the subscriber receives a handset from Sprint. In these instances, the equipment revenue from the subscriber and the handset expense are Sprint's responsibility and are not recorded by the Company. In the fourth quarter of 2015, approximately 77% of postpaid gross additions through Company channels involved a handset financing plan. All else being equal, the service plans for these subscribers generate less monthly service revenue compared to plans with a subsidized handset.

The following tables show selected operating statistics of the Wireless segment as of the dates shown:

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Retail PCS Subscribers – Postpaid	312,512	287,867	273,721
Retail PCS Subscribers – Prepaid	142,840	145,162	137,047
PCS Market POPS (000) (1)	2,433	2,415	2,397
PCS Covered POPS (000) (1)	2,224	2,207	2,067
CDMA Base Stations (sites)	552	537	526
Towers Owned	158	154	153
Non-affiliate Cell Site Leases (2)	202	198	217
Gross PCS Subscriber Additions – Postpaid	77,067	72,891	66,558
Net PCS Subscriber Additions – Postpaid	24,645	14,146	10,829
PCS Average Monthly Retail Churn % - Postpaid (3)	1.47 %	1.76 %	1.75 %

Gross PCS Subscriber Additions – Prepaid	83,796	74,838	76,416
Net PCS Subscriber Additions (Losses) – Prepaid	(2,322)	8,115	8,870
PCS Average Monthly Retail Churn % - Prepaid (3)	4.93 %	4.00 %	4.24 %

46

Table of Contents

1) POPS refers to the estimated population of a given geographic area and is based on information purchased from third party sources. Market POPS are those within a market area which the Company is authorized to serve under its Sprint PCS affiliate agreements, and Covered POPS are those covered by the Company's network. Covered POPS increased in 2014 primarily as a result of the Company's deployment of the 800 megahertz spectrum at existing cell sites.

2) The decrease from December 31, 2013 to December 31, 2014 is primarily a result of termination of Sprint iDEN leases associated with the former Nextel network.

3) PCS Average Monthly Retail Churn is the average of the monthly subscriber turnover, or churn, calculations for the period.

(in thousands)	Years Ended December 31,		Change	
	2015	2014	$	%
Segment operating revenues				
Wireless service revenue	$192,752	$191,147	$1,605	0.8
Tower lease revenue	10,505	10,201	304	3.0
Equipment revenue	5,175	5,729	(554)	(9.7)
Other revenue	369	377	(8)	(2.1)
Total segment operating revenues	$208,801	$207,454	$1,347	0.6
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	63,570	73,290	(9,720)	(13.3)
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	35,792	33,171	2,621	7.9
Depreciation and amortization	34,416	31,111	3,305	10.6
Total segment operating expenses	133,778	137,572	(3,794)	(2.8)
Segment operating income	$75,023	$69,882	$5,141	7.4

Operating revenues

Wireless service revenue increased $1.6 million, or 0.8%, in 2015 over 2014. Net prepaid service revenues grew $4.3 million, or 9.9%, due to 4.5% growth in average prepaid subscribers over 2014 and higher average revenue per subscriber due to improvements in product mix. Net postpaid service revenues decreased $2.7 million. Average postpaid subscribers increased 6.7% in 2015 over the 2014 period, but the increase was more than offset by promotional discounts and a switch to lower revenue service plans associated with handset financing and leasing plans. Under these programs, the Company receives less service revenue from the subscriber, while the equipment revenue from the subscriber and the handset expense become Sprint's responsibility and are not recorded by the Company. The decreases in service revenues are currently more than offset by a decrease in handset expense within cost of goods and services.

Tower lease revenue increased primarily as a result of amendments to existing leases, as third party co-locators add 4G capabilities to our towers.

Equipment revenue decreased due primarily to a lower volume of subsidized handset sales, partially offset by lower discounts on those sales.

Table of Contents

Operating expenses

Cost of goods and services decreased $9.7 million, or 13.3%, in 2015 from 2014. Postpaid handset costs decreased $10.9 million, as handset expenses associated with financing and leasing plans are Sprint's responsibility and are not recorded by the Company. Prepaid handset costs decreased $1.0 million, driven by year-over-year declines in both the volume and average cost of handsets. Network costs increased $1.9 million, due to a decrease in labor capitalized to projects and to increases in rent and power expenses for cell sites and towers. Additionally, the prior year period included a $0.4 million gain on disposal of 3G equipment.

Selling, general and administrative costs increased $2.6 million, or 7.9%, in 2015 over 2014. Costs to support the prepaid wireless business increased $1.8 million, driven by subscriber growth, product mix, and higher general and administrative costs. Personnel costs increased $0.7 million due to the addition of new retail stores. Advertising expenses increased $0.6 million. Property taxes increased $0.5 million due to a prior year refund and a higher tax basis in network assets as a result of recent upgrades. The increases were partially offset by a $1.1 million decline in third party commissions expense due to lower volume of commissionable handsets activated through dealer channels.

Depreciation and amortization increased $3.3 million, or 10.6%, in 2015 over 2014, following completion of Network Vision upgrades.

Table of Contents

Cable

The Cable segment provides video, internet and voice services in franchise areas in portions of Virginia, West Virginia and western Maryland, and leases fiber optic facilities throughout its service area. It does not include video, internet and voice services provided to customers in Shenandoah County, Virginia.

The following table shows selected operating statistics of the Cable segment as of the dates shown:

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Homes Passed (1)	172,538	171,589	170,470
Customer Relationships (2)			
Video customers	48,184	49,247	51,197
Non-video customers	24,550	22,051	18,341
Total customer relationships	72,734	71,298	69,538
Video			
Customers (3)	50,215	52,095	53,076
Penetration (4)	29.1 %	30.4 %	31.1 %
Digital video penetration (5)	77.9 %	65.9 %	49.2 %
High-speed Internet			
Available Homes (6)	172,538	171,589	168,255
Customers (3)	55,690	51,359	45,776
Penetration (4)	32.3 %	29.9 %	27.2 %
Voice			
Available Homes (6)	169,801	168,852	163,282
Customers (3)	20,166	18,262	14,988
Penetration (4)	11.9 %	10.8 %	9.2 %
Revenue Generating Units (7)	126,071	121,716	113,840
Fiber Route Miles	2,844	2,834	2,636
Total Fiber Miles (8)	76,949	72,694	69,296
Average Revenue Generating Units	124,054	117,744	110,611

1) Homes and businesses are considered passed ("homes passed") if we can connect them to our distribution system without further extending the transmission lines. Homes passed is an estimate based upon the best available information.

2) Customer relationships represent the number of customers who receive at least one of our services.

3) Generally, a dwelling or commercial unit with one or more television sets connected to our distribution system counts as one video customer. Where services are provided on a bulk basis, such as to hotels, universities and some multi-dwelling units, the revenue charged to the customer is divided by the rate for comparable service in the local market to determine the number of customer equivalents included in the customer counts shown above.

4) Penetration is calculated by dividing the number of customers by the number of homes passed or available homes, as appropriate.

5) Digital video penetration is calculated by dividing the number of digital video customers by total video customers. Digital video customers are video customers who receive any level of video service via digital transmission. A dwelling with one or more digital set-top boxes or digital adapters counts as one digital video customer.

6) Homes and businesses are considered available ("available homes") if we can connect them to our distribution system without further extending the transmission lines and if we offer the service in that area.

7) Revenue generating units are the sum of video, voice and high-speed internet customers.

8)

Fiber miles are measured by taking the number of fiber strands in a cable and multiplying that number by the route distance. For example, a 10 mile route with 144 fiber strands would equal 1,440 fiber miles.

(in thousands)	Years Ended December 31,		Change	
	2015	2014	$	%
Segment operating revenues				
Service revenue (1)	$88,980	$77,179	$11,801	15.3
Other revenue (1)	8,642	7,374	1,268	17.2
Total segment operating revenues	$97,622	$84,553	$13,069	15.5
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	54,611	51,982	2,629	5.1
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	19,412	19,521	(109)	(0.6)
Depreciation and amortization	23,097	23,148	(51)	(0.2)
Total segment operating expenses	97,120	94,651	2,469	2.6
Segment operating income (loss)	$502	$(10,098)	$10,600	105.0

(1) Prior year service and other revenue amounts have been recast to conform to the current year presentation of video and internet equipment revenues being included in service revenue rather than other revenue.

Operating revenues

Cable segment service revenue increased $11.8 million, or 15.3%. Internet service revenue increased $8.5 million, or 29.7%, due to a 9.7% increase in average internet subscribers, along with an improved product mix as customers upgraded to higher-speed plans with higher monthly recurring charges. Video revenue, including retransmission consent fee surcharges, increased $4.0 million driven by video rate increases in January 2015. Voice revenue increased $1.2 million due to 16.7% growth in average voice revenue generating units. These increases were partially offset by a $1.9 million increase in bundle discounts.

Other revenue grew $1.3 million, primarily due to new fiber contracts and higher installation revenue.

Operating expenses

Cable segment cost of goods and services increased $2.6 million, or 5.1%, in 2015 over 2014. Video programming costs, including retransmission consent fees, increased $4.1 million as the impact of rising rates per subscriber outpaced declining video subscriber counts. Network costs grew $0.7 million, primarily due to $0.4 million increase in the Universal Service fees mandated by the U.S. government in the current year. The increases were offset by a $1.5 million decrease in disposal costs following a $1.6 million disposal of obsolete equipment in 2014, along with a $1.0 million decrease in maintenance expense following a multi-year project to upgrade cable network infrastructure.

Selling, general and administrative expenses decreased $0.1 million against the prior year as declines in marketing and customer service costs were largely offset by growth in administrative and operating tax expenses.

Table of Contents

Wireline

The Wireline segment provides regulated and unregulated voice services, DSL and broadband internet access, and long distance access services throughout Shenandoah County and portions of Rockingham, Frederick, Warren and Augusta counties in Virginia. The segment also provides video services in portions of Shenandoah County, and leases fiber optic facilities throughout the northern Shenandoah Valley of Virginia, northern Virginia and adjacent areas along the Interstate 81 corridor through West Virginia, Maryland and portions of Pennsylvania.

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Telephone Access Lines (1)	20,252	21,612	22,106
Long Distance Subscribers	9,476	9,571	9,851
Video Customers(2)	5,356	5,692	6,342
DSL and Cable Modem Subscribers (3)	13,086	12,742	12,632
Fiber Route Miles	1,736	1,556	1,452
Total Fiber Miles (4)	123,891	86,801	84,600

1) Effective October 1, 2015, the Company launched cable modem services on its cable plant, and ceased the requirement that a customer have a telephone access line to purchase DSL service.
2) The Wireline segment's video service passes approximately 16,000 homes.
3) 2015 total includes 420 customers served via the coaxial cable network.
4) Fiber miles are measured by taking the number of fiber strands in a cable and multiplying that number by the route distance. For example, a 10 mile route with 144 fiber strands would equal 1,440 fiber miles.

(in thousands)	Years Ended December 31, 2015	2014	Change $	%
Segment operating revenues				
Service revenue (1)	$21,880	$20,986	$894	4.3
Carrier access and fiber revenues (1)	42,303	39,202	3,101	7.9
Other revenue (1)	3,237	2,847	390	13.7
Total segment operating revenues	$67,420	$63,035	$4,385	7.0
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	31,668	30,088	1,580	5.3
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	6,612	6,009	603	10.0
Depreciation and amortization	12,736	11,224	1,512	13.5
Total segment operating expenses	51,016	47,321	3,695	7.8
Segment operating income	$16,404	$15,714	$690	4.4

(1) Prior year categories of access revenue and facilities lease revenue have been combined into the new category of carrier access and fiber revenue to conform to current year presentation. Additionally, set-top box revenues included in other revenue in the prior year are now presented within service revenue.

Table of Contents

Operating revenues

Total operating revenues in 2015 increased $4.4 million, or 7.0%, over 2014. Carrier access and fiber revenues grew $3.1 million as growth in affiliate and non-affiliate fiber contracts were partially offset by favorable Universal Service program adjustments that were recorded in the first quarter of 2014. Internet service revenue grew $1.2 million as customers upgraded to higher-speed plans.

Operating expenses

Operating expenses overall increased $3.7 million, or 7.8%, in 2015, compared to 2014. The increase in cost of goods and services resulted primarily from a $2.1 million increase in costs to support affiliate fiber routes. The increase was partially offset by a $0.6 million decrease in affiliate and non-affiliate line costs. Sales, general and administrative expenses increased as a result of growth in sales and customer service support teams.

Depreciation expense grew $1.5 million as a result of continued investment in the construction of fiber facilities. The current year total includes an unfavorable adjustment of $0.4 million related to assets placed into service in one year and closed out in the fixed asset system in a subsequent year.

Table of Contents

2014 Compared to 2013

Consolidated Results

The Company's consolidated results from continuing operations for the years ended December 31, 2014 and 2013 are summarized as follows:

(in thousands)	Years Ended December 31,		Change	
	2014	2013	$	%
Operating revenues	$326,946	$308,942	18,004	5.8
Operating expenses	265,003	253,535	11,468	4.5
Operating income	61,943	55,407	6,536	11.8
Other income (expense)	5,909	(5,943)	(34)	(0.6)
Income tax expense	22,151	19,878	2,273	11.4
Net income from continuing operations	$33,883	$29,586	4,297	14.5

Operating revenues

Operating revenues increased $18.0 million, or 5.8%, in 2014 over 2013. Wireless segment revenues increased $9.3 million compared to 2013. The Wireless revenue growth included an increase in net postpaid service revenues of $5.0 million, driven by 4.7% year-over-year growth in average postpaid subscribers. In addition, net prepaid service revenues grew $3.2 million, or 7.9%, due to 4.9% growth in average prepaid subscribers and higher average revenue per subscriber in 2014 over 2013. Cable segment revenues increased $8.7 million. Cable service revenues grew $5.3 million due to a 6.4% increase in average revenue generating units compared to the 2013 period, a video rate increase in early 2014, and to customers selecting higher-priced digital TV and higher-speed data packages. Cable equipment revenues increased $2.3 million due to a change in January 2014 of charging customers separately for their first set top box, which previously had been included in the service fee. Additionally, customer use of digital converter boxes grew as the Company converted markets to all-digital signals. Growth in fiber lease revenue contributed $0.6 million to the year-over-year increase of Cable segment revenue. Wireline segment revenue increased $3.6 million, primarily due to growth in facility lease revenues from new contracts with affiliates and third parties.

Operating expenses

Total operating expenses increased $11.5 million in 2014 compared to 2013. Cost of goods and services sold increased $4.6 million, including increases of $3.3 million in Cable segment video programming costs and $1.7 million in network maintenance costs. Disposal costs increased $1.6 million, as the Company disposed of obsolete equipment that had been taken out of service while upgrading the cable and wireline networks. The increase in disposal costs was offset by reductions in network costs, driven primarily by lower third party backhaul expenses along with an increase in network engineering labor capitalized to projects. Selling, general and administrative expenses increased $1.7 million, due to higher personnel costs, partially offset by lower advertising and bad debt expenses. Depreciation and amortization expense increased $5.2 million, primarily due to completion of the Network Vision and cable network upgrade projects.

Income tax expense

The Company's effective tax rate decreased from 40.2% in 2013 to 39.5% in 2014. The 2013 period included $0.5 million in unfavorable adjustments from finalizing the estimated effects of restructuring entities during 2012. The 2014 period included $0.2 million in favorable adjustments to estimates made for the 2013 federal and state returns filed in September 2014.

Table of Contents

Net income

Net income increased $4.3 million, or 14.5%, in 2014 from 2013, reflecting growth in subscriber counts and revenue per subscriber in the Wireless segment, partially offset by increases in operating expenses incurred in support of this growth.

Wireless

(in thousands)	Years Ended December 31,		Change	
	2014	2013	$	%
Segment operating revenues				
Wireless service revenue	$191,147	$182,955	$8,192	4.5
Tower lease revenue	10,201	10,339	(138)	(1.3)
Equipment revenue	5,729	5,218	511	9.8
Other revenue	377	(387)	764	197.5
Total segment operating revenues	$207,454	$198,125	$9,329	4.7
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	73,290	72,995	295	0.4
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	33,171	32,812	359	1.1
Depreciation and amortization	31,111	28,177	2,934	10.4
Total segment operating expenses	137,572	133,984	3,588	2.7
Segment operating income	$69,882	$64,141	$5,741	9.0

Operating revenues

Wireless service revenue increased $8.2 million, or 4.5%, for 2014 over 2013. Net postpaid service revenues increased $5.0 million, or 3.5%, driven by 4.7% year-over-year growth in average postpaid subscribers. The net service fee increased from 12% of net billed revenues to 14% on August 1, 2013, reducing net postpaid service revenue by $2.1 million, or approximately $0.3 million per month. Net prepaid service revenues grew $3.2 million, or 7.9%. Average prepaid subscribers increased 4.9% in 2014 over 2013, with changes in the mix of subscribers accounting for the remainder of the increase in prepaid service revenues.

The decrease in tower lease revenue resulted from the termination of Sprint iDEN leases associated with the former Nextel network. Equipment revenue increased due to growth in accessories sales and lower discounts on handset sales. Other revenue increased, as the prior year period included a $0.8 million unfavorable adjustment to straight-line rent accruals related to the termination of iDEN leases.

Operating expenses

Cost of goods and services increased $0.3 million, or 0.4%, in 2014 from 2013. Network costs increased $1.1 million, driven by increases in rent and backhaul expenses associated with the Network Vision project. Maintenance expense grew $1.0 million due to increases in maintenance contracts that support the upgraded wireless network. Cost of services declined by $0.8 million, driven by lower costs to support WiMax subscribers and prepaid “top-up” services. Cost of goods declined due to a one-time $0.4 million gain related to actual disposal costs for the Network Vision project being less than previously accrued. Handset costs declined $0.3 million as a lower volume of subsidized handsets, driven by the start of installment handset sales in 2014, was partially offset by higher handset costs.

Table of Contents

Selling, general and administrative costs increased $0.4 million, or 1.1%, in 2014 over 2013 primarily due to the additional retail store personnel to support subscriber growth.

Depreciation and amortization increased $2.9 million, or 10.4%, in 2014 over 2013, following completion of Network Vision upgrades.

Cable

(in thousands)	Years Ended December 31,		Change	
	2014	2013	$	%
Segment operating revenues				
Service revenue (1)	$77,179	$69,782	$7,397	10.6
Other revenue (1)	7,374	6,090	1,284	21.1
Total segment operating revenues	$84,553	$75,872	$8,681	11.4
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	51,982	45,767	6,215	13.6
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	19,521	19,052	469	2.5
Depreciation and amortization	23,148	21,202	1,946	9.2
Total segment operating expenses	94,651	86,021	8,630	10.0
Segment operating loss	$(10,098)	$(10,149)	$51	0.5

(1) Prior year service and other revenue amounts have been recast to conform to the current year presentation of video and internet equipment revenues being included in service revenue rather than other revenue.

Operating revenues

Cable revenue increased $8.7 million, or 11.4% in 2014 over 2013. Cable service revenue increased $7.4 million, or 10.6%, due to a 6.4% increase in average revenue generating units, a video rate increase in January 2014, customers selecting higher-priced digital TV services and higher-speed data access packages, and increases in equipment rents. Other revenue increased by $1.3 million, due to increases in facility lease revenue, which grew $0.7 million due to new contracts with third parties, while all other revenues increased $0.6 million from 2013 to 2014.

Operating expenses

Cable segment cost of goods and services increased $6.2 million, or 13.6%, in 2014 over 2013. Video programming costs increased $3.3 million as the impact of rising rates per subscriber outpaced declining video subscriber counts. Asset disposal costs increased $1.4 million, as the Company disposed of obsolete equipment that was removed from service while upgrading the network. Maintenance costs increased $0.7 million to support network growth and personnel costs increased $0.5 million.

Selling, general and administrative expenses grew $0.5 million against the prior year as increases in costs related to customer service and administrative functions were partially offset by reductions of $0.3 million in marketing and selling expense and $0.1 million in bad debt expense.

Table of Contents

The increase in depreciation and amortization expense consists of $3.1 million of higher depreciation expense related to network upgrades, offset by lower amortization on the customer base intangible asset recorded when the cable markets were acquired. The amortization of this asset declines on the anniversary of the acquisitions.

Wireline

(in thousands)	Years Ended December 31,		Change	
	2014	2013	$	%
Segment operating revenues				
Service revenue (1)	$20,986	$20,244	$742	3.7
Carrier access and fiber revenues (1)	39,202	36,266	2,936	8.1
Other revenue (1)	2,847	2,960	(113)	(3.8)
Total segment operating revenues	$63,035	$59,470	$3,565	6.0
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	30,088	28,603	1,485	5.2
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	6,009	5,344	665	12.4
Depreciation and amortization	11,224	11,308	(84)	(0.7)
Total segment operating expenses	47,321	45,255	2,066	4.6
Segment operating income	$15,714	$14,215	$1,499	10.5

(1) Prior year categories of access revenue and facilities lease revenue have been combined into the new category of carrier access and fiber revenue to conform to current year presentation. Additionally, set-top box revenues included in other revenue in the prior year are now presented within service revenue

Operating revenues

Total operating revenues in 2014 increased $3.6 million over 2013. Increases in service revenue resulted primarily from increases in revenues to provide broadband services. Carrier access and fiber revenue grew $2.9 million due to additional leasing of fiber backhaul facilities to new and existing customers, offset by a decrease in revenues as a result of 2013 changes in certain intrastate access charges. Other revenue decreased $0.1 million due in part to the conclusion of billings for transition services to buyers of Converged Services' properties.

Operating expenses

Operating expenses overall increased $2.1 million, or 4.6%, for 2014 over 2013. The increase in cost of goods and services resulted primarily from a $2.3 million increase in costs to provide the additional facilities to support the growth in facilities lease revenues described above. The disposal of obsolete and out of service assets resulted in an additional $0.5 million increase in costs. These increases were partially offset by a $0.9 million increase in labor capitalized to projects.

Table of Contents

Non-GAAP Financial Measure

In managing our business and assessing our financial performance, management supplements the information provided by financial statement measures prepared in accordance with GAAP with adjusted OIBDA, which is considered a “non-GAAP financial measure” under SEC rules.

Adjusted OIBDA is defined by us as operating income (loss) before depreciation and amortization, adjusted to exclude the effects of: certain non-recurring transactions; impairment of assets; gains and losses on asset sales; and share based compensation expense. Adjusted OIBDA should not be construed as an alternative to operating income as determined in accordance with GAAP as a measure of operating performance.

In a capital-intensive industry such as telecommunications, management believes that adjusted OIBDA and the associated percentage margin calculations are meaningful measures of our operating performance. We use adjusted OIBDA as a supplemental performance measure because management believes it facilitates comparisons of our operating performance from period to period and comparisons of our operating performance to that of other companies by excluding potential differences caused by the age and book depreciation of fixed assets (affecting relative depreciation expenses) as well as the other items described above for which additional adjustments were made. In the future, management expects that the Company may again report adjusted OIBDA excluding these items and may incur expenses similar to these excluded items. Accordingly, the exclusion of these and other similar items from our non-GAAP presentation should not be interpreted as implying these items are non-recurring, infrequent or unusual.

While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the current period allocation of costs associated with long-lived assets acquired or constructed in prior periods, and accordingly may obscure underlying operating trends for some purposes. By isolating the effects of these expenses and other items that vary from period to period without any correlation to our underlying performance, or that vary widely among similar companies, management believes adjusted OIBDA facilitates internal comparisons of our historical operating performance, which are used by management for business planning purposes, and also facilitates comparisons of our performance relative to that of our competitors. In addition, we believe that adjusted OIBDA and similar measures are widely used by investors and financial analysts as measures of our financial performance over time, and to compare our financial performance with that of other companies in our industry.

Adjusted OIBDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. These limitations include the following:

- it does not reflect capital expenditures;
- many of the assets being depreciated and amortized will have to be replaced in the future and adjusted OIBDA does not reflect cash requirements for such replacements;
- it does not reflect costs associated with share-based awards exchanged for employee services;
- it does not reflect interest expense necessary to service interest or principal payments on indebtedness;
- it does not reflect gains, losses or dividends on investments;
- it does not reflect expenses incurred for the payment of income taxes; and
- other companies, including companies in our industry, may calculate adjusted OIBDA differently than we do, limiting its usefulness as a comparative measure.

In light of these limitations, management considers adjusted OIBDA as a financial performance measure that supplements but does not replace the information reflected in our GAAP results.

Table of Contents

The following table shows adjusted OIBDA for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Adjusted OIBDA	$150,902	$132,144	$118,596

The following table reconciles adjusted OIBDA to operating income, which we consider to be the most directly comparable GAAP financial measure, for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Consolidated Results:			
Operating income	$74,086	$61,943	$55,407
Plus depreciation and amortization	70,702	65,890	60,722
Plus (gain) loss on asset sales	235	2,054	784
Plus share based compensation expense	2,333	2,257	1,683
Plus nTelos acquisition related expenses	3,546	-	-
Adjusted OIBDA	$150,902	$132,144	$118,596

The following tables reconcile adjusted OIBDA to operating income by major segment for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Wireless Segment:			
Operating income	$75,023	$69,882	$64,141
Plus depreciation and amortization	34,416	31,111	28,177
Plus (gain) loss on asset sales	62	(101)	647
Plus share based compensation expense	554	475	481
Adjusted OIBDA	$110,055	$101,367	$93,446

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cable Segment:			
Operating income (loss)	$502	$ (10,098)	$ (10,149)
Plus depreciation and amortization	23,097	23,148	21,202
Plus (gain) loss on asset sales	45	1,500	(59)
Plus share based compensation expense	811	848	735
Adjusted OIBDA	$24,455	$ 15,398	$ 11,729

Table of Contents

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Wireline Segment:			
Operating income	$16,404	$15,714	$14,215
Plus depreciation and amortization	12,736	11,224	11,308
Plus (gain) loss on asset sales	169	655	195
Plus share based compensation expense	408	386	356
Adjusted OIBDA	$29,717	$27,979	$26,074

Financial Condition, Liquidity and Capital Resources

The Company has four principal sources of funds available to meet the financing needs of its operations, capital projects, debt service, investments and potential dividends. These sources include cash flows from operations, existing balances of cash and cash equivalents, the liquidation of investments and borrowings. Management routinely considers the alternatives available to determine what mix of sources are best suited for the long-term benefit of the Company.

Sources and Uses of Cash. The Company generated $119.3 million of net cash from operations in 2015, an increase from $115.0 million in 2014, which was a $20.7 million increase from 2013. The increases were primarily due to increases in operating income before depreciation and amortization.

During 2015, the Company utilized $69.3 million in net investing activities, including $69.7 million invested in capital assets, partially offset by proceeds from sales of assets. During 2014, the Company utilized $67.6 million in net investing activities. Plant and equipment purchases in 2015, 2014 and 2013 totaled $69.7 million, $68.2 million and $117.0 million, respectively. Capital expenditures in 2015 supported projects across all segments, including wireless network capacity and coverage enhancements, new retail stores, cable segment extensions and investment in customer premises equipment, and expansion and upgrade of our fiber networks. Expenditures in 2014 also supported projects across all segments, including wireless network capacity and coverage enhancements, cable plant expansion and upgrades, and wireline fiber builds. Expenditures in 2013 primarily supported the upgrade of PCS base stations in conjunction with the Network Vision project, as well as expansion of capacity on other PCS base stations and other related spending. Cable system upgrades to acquired systems were completed in 2013.

Financing activities utilized $42.2 million in 2015 as the Company made $23.0 million in principal payments on long-term debt, paid cash dividends totaling $11.1 million and paid $7.9 million in debt issuance fees related to the pending nTelos acquisition. Financing activities utilized $16.8 million in 2014, principally due to $10.8 million in cash dividends paid to shareholders and $5.8 million of principal repayments on long-term debt. Financing activities utilized $10.5 million in 2013, principally due to $8.2 million in dividends paid to shareholders and $2.0 million in principal repayments under our loan agreements.

Indebtedness. As of December 31, 2015, the Company's indebtedness totaled $201.3 million, with an annualized effective interest rate of approximately 3.21% after considering the impact of the interest rate swap contract. The balance consists of the Term Loan Facility at a variable rate (2.67% as of December 31, 2015) that resets monthly based on one month LIBOR plus a base rate of 2.25% currently. The Term Loan Facility requires quarterly principal repayments of $5.75 million, which began on December 31, 2014 and will continue until the remaining expected balance of approximately $120.75 million is due at maturity on September 30, 2019.

The Company's credit agreement includes a Revolver Facility that provides for $50 million in availability for future capital expenditures and general corporate needs. In addition, the credit agreement permits the Company to enter into one or more Incremental Term Loan Facilities in the aggregate principal amount not to exceed $100 million subject to compliance with certain covenants. At December 31, 2015, no draw had been made under the Revolver Facility and the Company had not entered into any Incremental Term Loan Facility. When and if a draw is made, the maturity date and interest rate options would be substantially identical to the Term Loan Facility, though the margin on principal drawn on the revolver is 0.25% less than the corresponding margin on term loans. If the interest rate on an Incremental Term Loan Facility is more than 0.25% greater than the rate on the existing outstanding balances, the interest rate on the existing debt would reset at the same rate as the Incremental Term Loan Facility. Repayment provisions would be agreed to at the time of each draw under the Incremental Term Loan Facility.

Table of Contents

The Company is subject to certain financial covenants measured on a trailing twelve month basis each calendar quarter unless otherwise specified. These covenants include:

- a limitation on the Company's total leverage ratio, defined as indebtedness divided by earnings before interest, taxes, depreciation and amortization, or EBITDA, of less than or equal to 2.00 to 1.00 thereafter;
- a minimum debt service coverage ratio, defined as EBITDA divided by the sum of all scheduled principal payments on the Term Loans and regularly scheduled principal payments on other indebtedness plus cash interest expense, greater than 2.50 to 1.00 at all times;
- a minimum equity to assets ratio, defined as consolidated total assets minus consolidated total liabilities, divided by consolidated total assets, of at least 0.35 to 1.00 thereafter, measured at each fiscal quarter end.

As of December 31, 2015, the Company was in compliance with the financial covenants in its credit agreements, and ratios at December 31, 2015 were as follows:

	Actual	Covenant Requirement
Total Leverage Ratio	1.35	2.00 or Lower
Debt Service Coverage Ratio	4.24	2.50 or Higher
Equity to Assets Ratio	46.1 %	35.0% or Higher

Contractual Commitments. The Company is obligated to make future payments under various contracts it has entered into, primarily amounts pursuant to its long-term debt facility, and non-cancelable operating lease agreements for retail space, tower space and cell sites. Expected future minimum contractual cash obligations for the next five years and in the aggregate at December 31, 2015, are as follows:

Payments due by periods

(in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt principal (1)	$201,250	$23,000	$46,000	$132,250	$-
Interest on long–term debt (1)	17,495	5,141	9,054	3,300	-
"Pay fixed" obligations (2)	3,410	1,038	1,705	667	-
Operating leases (3)	143,402	14,605	29,324	27,741	71,732
Purchase obligations (4)	15,155	13,058	2,097	-	-
nTelos Acquisition (5)	17,000	17,000	-	-	-
Total obligations	$397,712	$73,842	$88,180	$163,958	$71,732

1) Includes principal payments and estimated interest payments on the Term Loan Facility based upon outstanding balances and rates in effect at December 31, 2015.
2) Represents the maximum interest payments we are obligated to make under our derivative agreement. Assumes no receipts from the counterparty to our derivative agreement.
3) Amounts include payments over reasonably assured renewals. See Note 12 to the consolidated financial statements appearing elsewhere in this report for additional information.
4) Represents open purchase orders at December 31, 2015.
5) Represents estimated costs to complete the financing arrangements that will be due and payable regardless of whether the transaction closes. Additionally, if the deal closes, the Company expects to incur approximately $15 million in transaction related expenses; if the deal does not close, the Company can expect to incur $25 million in a break-up fee.

Table of Contents

The Company has no other off-balance sheet arrangements and has not entered into any transactions involving unconsolidated, limited purpose entities or commodity contracts.

Capital Commitments. The Company spent $69.7 million on capital projects in 2015, up from $68.2 million spent in 2014 and $117.0 million spent in 2013. Capital expenditures in 2015 and 2014 supported projects across all segments, including wireless network capacity and coverage enhancements, cable plant expansion and upgrades, and wireline fiber builds. The Company incurred significant capital spending in 2013 related to the PCS network upgrade as part of Sprint's Network Vision upgrade project.

Capital expenditures budgeted for 2016 totaled $229.4 million, including $134.2 million on the Wireless segment for upgrades and expansion of the nTelos wireless network. Due primarily to the delay in closing the nTelos merger, the Company now expects that capital expenditures for 2016 will be $10.9 million lower, or $218.5 million, with $120.3 million in the Wireless segment relating to the nTelos wireless network. In addition, $21.2 million is budgeted for information technology upgrades, new and renovated buildings and other projects, $24.2 million for additional network capacity, and $36.4 million for network expansion including new fiber routes, new cell towers, and cable market expansion. Approximately $13.1 million of the budget is success-based, and will be scaled back if not supported by customer growth.

The Company believes that, excluding the impacts of the pending nTelos acquisition, cash on hand and cash flow from operations (and if necessary, borrowings available under the Company's existing credit facilities) will provide sufficient cash to enable the Company to fund its planned capital expenditures, make scheduled principal and interest payments, meet its other cash requirements and maintain compliance with the terms of its existing financing agreements for at least the next 12 months. Thereafter, capital expenditures will likely continue to be required to provide increased capacity to meet the Company's expected growth in demand for its products and services. The actual amount and timing of the Company's future capital requirements may differ materially from the Company's estimate depending on the demand for its products, new market developments and opportunities and general economic opportunities.

The Company's cash flows from operations could be adversely affected by events outside the Company's control, including, without limitation, changes in overall economic conditions, regulatory requirements, changes in technologies, availability of labor resources and capital, changes in the Company's relationship with Sprint, and other conditions. The Wireless segment's operations are dependent upon Sprint's ability to execute certain functions such as billing, customer care, and collections; the subsidiary's ability to develop and implement successful marketing programs, and the subsidiary's ability to effectively and economically manage other operating activities under the Company's agreements with Sprint.   The Company's ability to continue to attract and maintain a sufficient customer base is also critical to the Company's ability to maintain a positive cash flow from operations. The foregoing events individually or collectively could affect the Company's results.

Merger-Related Financing Transaction. In connection with the Merger and the Sprint Transactions, on December 18, 2015, we entered into a credit agreement (the "New Credit Agreement") with various banks and other financial institutions party thereto (the "Lenders") and CoBank, ACB, as administrative agent for the Lenders. The New Credit Agreement provides for three facilities: (i) a five-year revolving credit facility of up to $75 million, (ii) a five-year term loan facility of up to $485 million and (iii) a seven-year term loan facility of up to $400 million (collectively, the "Facilities"), which we expect to use to pay the Merger Consideration, to finance the network upgrades required by the Sprint Transactions, to refinance, in full, all indebtedness outstanding under our existing credit agreement, to repay all existing indebtedness of nTelos, to pay fees and expenses in connection with the Merger and for working capital, capital expenditures and other corporate purposes of us and our subsidiaries (and, following the consummation of the Merger, of nTelos and its subsidiaries).

We will be the borrower under the New Credit Agreement. The availability of the Facilities is subject to the satisfaction or waiver of certain conditions set forth in the New Credit Agreement, including, among other things, the consummation of the Merger on or before June 28, 2016. The commitments of the Lenders with respect to the Facilities will terminate if the consummation of the Merger and the initial funding of the Facilities does not occur on or prior to June 28, 2016.

Subsequent to the closing of the Merger, the Company's future requirements for debt service will increase, due to incremental interest on the larger outstanding loan balances, and increased amortization requirements to pay down the loan balances, compared to the terms of our existing debt arrangements.

Table of Contents

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14, delaying the effective date of ASU 2014-09. As amended, the new standard is effective for the Company on January 1, 2018. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 820): Amendments to the Consolidation Analysis". The ASU provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after September 1, 2016 (fiscal 2017). The Company is still evaluating what impact, if any, this ASU will have on the Company's consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs", which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU requires retrospective adoption and will be effective for the Company beginning on January 1, 2016. Early adoption is permitted. The Company has not elected to early adopt and does not expect this adoption to have a material impact on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes", to simplify the presentation of deferred income taxes by requiring deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016. Early adoption is permitted. The Company will not elect to early adopt and does not expect this adoption to have a material impact on its consolidated financial statements.

In addition to the updates outlined above, FASB has issued other Accounting Standards Updates that were reviewed by management and determined to have a minimal impact on the financial statements. The Company will continue to evaluate the impact of all updates as they are released.

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risks relate primarily to changes in interest rates on instruments held for other than trading purposes. The Company's interest rate risk generally involves three components. The first component is outstanding debt with variable rates. As of December 31, 2015, the Company had $201.3 million of variable rate debt outstanding, bearing interest at a rate of 2.67% as determined on a monthly basis. An increase in market interest rates of 1.00% would add approximately $1.9 million to annual interest expense, excluding the effect of the interest rate swap. In 2012, the Company entered into a swap agreement that covers notional principal equal to approximately 76% of the outstanding variable rate debt through maturity in 2019, requiring the Company to pay a fixed rate of 1.13% and receive a variable rate based on one month LIBOR (0.42% as of December 31, 2015), to manage a portion of its interest rate risk. Changes in the net interest paid or received under the 2012 swap would offset approximately 76% of the change in interest expense on the variable rate debt outstanding. The 2012 swap currently adds approximately $0.7 million to annual interest expense, based on the spread between the fixed rate and the variable rate currently in effect on our debt.

The second component of interest rate risk consists of temporary excess cash, which can be invested in various short-term investment vehicles such as overnight repurchase agreements and Treasury bills with a maturity of less than 90 days. As of December 31, 2015, the cash is invested in a combination of a commercial checking account that has limited interest rate risk, and three money market mutual funds that contain a total investment of $40.1 million. Management continually evaluates the most beneficial use of these funds.

The third component of interest rate risk is marked increases in interest rates that may adversely affect the rate at which the Company may borrow funds for growth in the future. If the Company should borrow additional funds under any Incremental Term Loan Facility to fund its capital investment needs, repayment provisions would be agreed to at the time of each draw under the Incremental Term Loan Facility. If the interest rate margin on any draw exceeds by more than 0.25% the applicable interest rate margin on the Term Loan Facility, the applicable interest rate margin on the Term Loan Facility shall be increased to equal the interest rate margin on the Incremental Term Loan Facility. If interest rates increase generally, or if the rate applied under the Company's Incremental Term Loan Facility causes the Company's outstanding debt to be repriced, the Company's future interest costs could increase.

Management views market risk as having a potentially significant impact on the Company's results of operations, as future results could be adversely affected if interest rates were to increase significantly for an extended period, or if the Company's need for additional external financing resulted in increases to the interest rates applied to all of its new and existing debt. As of December 31, 2015 the Company has $48.4 million of variable rate debt with no interest rate protection. The Company's investments in publicly traded stock and bond mutual funds under the rabbi trust, which are subject to market risks and could experience significant swings in market values, are offset by corresponding changes in the liabilities owed to participants in the Executive Supplemental Retirement Plan. General economic conditions affected by regulatory changes, competition or other external influences may pose a higher risk to the Company's overall results.

As of December 31, 2015, the Company had $8.0 million of cost and equity method investments. Approximately $2.6 million is invested in privately held companies through investments with portfolio managers. Most of the companies are in an early stage of development and significant increases in interest rates could have an adverse impact on their results, ability to raise capital and viability. The Company's market risk is limited to the funds previously invested.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements listed in Item 15 are filed as part of this report and appear on pages F-2 through F-33.

63

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act), our management, including our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2015. Based on this, our chief executive officer and chief financial officer concluded that, as of December 31, 2015, our disclosure controls and procedures were effective.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of our chief executive officer and our chief financial officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015, based on the framework and criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on management's evaluation under the COSO framework of our internal control over financial reporting, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

KPMG LLP, an independent registered public accounting firm, which audited the Company's consolidated financial statements included in this Annual Report, has issued a report on the effectiveness of the Company's internal control over financial reporting, which is included in Item 8 of this Annual Report.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See "Executive Officers" in Part 1, Item 1 of this report for information about our executive officers, which is incorporated by reference in this Item 10. Other information required by this Item 10 is incorporated by reference to the Company's definitive proxy statement for its 2016 Annual Meeting of Shareholders, referred to as the "2016 proxy statement," which we will file with the SEC on or before 120 days after our 2015 fiscal year end, and which appears in the 2016 proxy statement under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance."

We have adopted a code of ethics applicable to our chief executive officer and other senior financial officers, who include our principal financial officer, principal accounting officer or controller, and persons performing similar functions. The code of ethics, which is part of our Code of Business Conduct and Ethics, is available on our website at www.shentel.com. To the extent required by SEC rules, we intend to disclose any amendments to our code of conduct and ethics, and any waiver of a provision of the code with respect to the Company's directors, principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on our website referred to above within four business days following such amendment or waiver, or within any other period that may be required under SEC rules from time to time.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item 11 is incorporated herein by reference to the 2016 proxy statement, including the information in the 2016 proxy statement appearing under the captions "Election of Directors-Director Compensation" and "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item 12 is incorporated herein by reference to the 2016 proxy statement appearing under the caption "Security Ownership."

The Company awards stock options to its employees meeting certain eligibility requirements under plans approved by its shareholders in 2005 and 2014, referred to as the "2005 stock option plan" and "2014 stock option plan", respectively. Outstanding options and the number of shares available for future issuance as of December 31, 2015 were as follows:

	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
2005 stock option plan	904,158	$ 7.70	-
2014 stock option plan	-	-	2,824,654

Effective April 2014, the 2014 stock option plan was approved by shareholders with 3.0 million shares authorized. As a result of the adoption of the 2014 stock option plan, additional grants will not be made under the 2005 stock option plan, although outstanding grants may continue to vest, be distributed or exercised.

Table of Contents

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this Item 13 is incorporated herein by reference to the 2016 proxy statement, including the information in the 2016 proxy statement appearing under the caption "Executive Compensation-Certain Relationships and Related Transactions."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item 14 is incorporated herein by reference to the 2016 proxy statement, including the information in the 2016 proxy statement appearing under the caption "Shareholder Ratification of Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) The following consolidated financial statements of the Company appear on pages F-2 through F-33 of this report and are incorporated by reference in Part II, Item 8:

Reports of Independent Registered Public Accounting Firm

Consolidated Financial Statements

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

(a)(2) All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) The following exhibits are either filed with this Form 10-K or incorporated herein by reference. Our Securities Exchange Act file number is 000-09881.

Table of Contents
Exhibits Index

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger, dated as of August 10, 2015, by and among Shenandoah Telecommunications Company, Gridiron Merger Sub, Inc. and NTELOS Holdings Corp., filed as Exhibit 2.1 to the Company’s Current Report on Form 8-K, dated August 11, 2015.
3.1	Amended and Restated Articles of Incorporation of Shenandoah Telecommunications Company filed as Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q for the period ending June 30, 2007, as amended by the Articles of Amendment of Shenandoah Telecommunications Company filed as Exhibit 3.3 to the Company’s Current Report on Form 8-K , filed January 5, 2016.
3.2	Amended and Restated Bylaws of Shenandoah Telecommunications Company, effective September 17, 2012, filed as Exhibit 3.3 to the Company’s Current Report on Form 8-K dated September 18, 2012.
4.1	Rights Agreement, dated as of February 8, 2008 between the Company and American Stock Transfer & Trust Company filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated January 25, 2008.
4.2	Specimen representing the Common Stock, no par value, of Shenandoah Telecommunications Company, filed as Exhibit 4.3 to the Company’s Report on Form 10-K for the year ended December 31, 2007.
10.1	Shenandoah Telecommunications Company Dividend Reinvestment Plan filed as Exhibit 4.4 to the Company’s Registration Statement on Form S-3D (No. 333-74297).
10.2	Settlement Agreement and Mutual Release dated as of January 30, 2004 by and among Sprint Spectrum L.P., Sprint Communications Company L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P. and Shenandoah Personal Communications Company and Shenandoah Telecommunications Company, dated January 30, 2004; filed as Exhibit 10.3 to the Company’s Report on Form 10-K for the year ended December 31, 2003.
10.3	Sprint PCS Management Agreement dated as of November 5, 1999 by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.4 to the Company’s Report on Form 10-K for the year ended December 31, 2003.
10.4	Sprint PCS Services Agreement dated as of November 5, 1999 by and between Sprint Spectrum L.P. and Shenandoah Personal Communications Company filed as Exhibit 10.5 to the Company’s Report on Form 10-K for the year ended December 31, 2003.
10.5	Sprint Trademark and Service Mark License Agreement dated as of November 5, 1999 by and between Sprint Communications Company, L.P. and Shenandoah Personal Communications Company filed as Exhibit 10.6 to the Company’s Report on Form 10-K for the year ended December 31, 2003.
10.6	Sprint Spectrum Trademark and Service Mark License Agreement dated as of November 5, 1999 by and between Sprint Spectrum L.P. and Shenandoah Personal Communications Company filed as Exhibit 10.7 to the Company’s Report on Form 10-K for the year ended December 31, 2003.
10.7	Addendum I to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.8 to the Company’s Report on Form 10-K for the year ended December 31, 2003.

Table of Contents

10.8	Asset Purchase Agreement dated November 5, 1999 by and among Sprint Spectrum L.P., Sprint Spectrum Equipment Company, L. P., Sprint Spectrum Realty Company, L.P., and Shenandoah Personal Communications Company, serving as Exhibit A to Addendum I to the Sprint PCS Management Agreement and as Exhibit 2.6 to the Sprint PCS Management Agreement filed as Exhibit 10.9 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.9	Addendum II dated August 31, 2000 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.10 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.10	Addendum III dated September 26, 2001 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.11 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.11	Addendum IV dated May 22, 2003 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.12 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.12	Addendum V dated January 30, 2004 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.13 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.13	Supplemental Executive Retirement Plan as amended and restated, filed as Exhibit 10.14 to the Company's Current Report on Form 8-K dated March 23, 2007.
10.14	Addendum VI dated May 24, 2004 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.15 to the Company's Report on Form 10-Q for the quarterly period ended June 30, 2004.
10.15	Description of the Shenandoah Telecommunications Company Incentive Plan filed as Exhibit 10.25 to the Company's Current Report on Form 8-K dated January 21, 2005.
10.16	Description of Compensation of Non-Employee Directors. Filed as Exhibit 10.26 to the Company's Current Report on Form 8-K dated May 4, 2005.
10.17	Description of Management Compensatory Plans and Arrangements. Filed as Exhibit 10.27 to the Company's current report on Form 8-K dated April 20, 2005.
10.18	2005 Stock Incentive Plan filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8 (No. 333-127342).
10.19	Form of Incentive Stock Option Agreement under the 2005 Stock Incentive Plan filed as Exhibit 10.29 to the Company's Report on Form 10-K for the year ended December 31, 2005.
10.20	Addendum VII dated March 13, 2007 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., Wireless Co., L.P., APC PCS, LLC, Phillieco, L.P., and Shenandoah Personal Communications Company, filed as Exhibit 10.31 to the Company's Report on Form 10-K for the year ended December 31, 2006.

Table of Contents

10.21	Settlement Agreement and Mutual Release dated March 13, 2007 by and among Sprint Corporation, Sprint Spectrum L.P., Wireless Co., L.P., Sprint Communications Company L.P., APC PCS, LLC, Phillieco, L.P., and Shenandoah Personal Communications Company and Shenandoah Telecommunications, filed as Exhibit 10.32 to the Company's Report on Form 10-K for the year ended December 31, 2006.
10.22	Form of Performance Share Award to Executives filed as Exhibit 10.33 to the Company's Current Report on Form 8-K dated September 20, 2007.
10.23	Addendum VIII to the Sprint Management Agreement dated November 19, 2007, filed as Exhibit 10.36 to the Company's Current Report on Form 8-K dated November 20, 2007.
10.24	Asset Purchase Agreement dated August 6, 2008, between Rapid Communications, LLC, Rapid Acquisition Company, LLC, and Shentel Cable Company, filed as Exhibit 10.37 to the Company's Report on Form 10-Q for the period ended June 30, 2008.
10.25	Amendment Number 1 to the Asset Purchase Agreement dated August 6, 2008, between Rapid Communications, LLC, Rapid Acquisition Company, LLC, and Shentel Cable Company, filed as Exhibit 10.40 to the Company's Current Report on Form 8-K dated November 7, 2008.
10.26	Addendum IX to the Sprint Management Agreement dated as of April 14, 2009, and filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K dated March 8, 2010.
10.27	Asset Purchase Agreement dated as of April 16, 2010, between JetBroadband VA, LLC, Helicon Cable Communications, LLC, JetBroadband WV, LLC, JetBroadband Holdings, LLC, Helicon Cable Holdings, LLC, Shentel Cable Company and Shenandoah Telecommunications Company, filed as Exhibit 10.43 to the Company's Current Report on Form 8-K, dated April 16, 2010.
10.28	Addendum X dated March 15, 2010 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company, filed as Exhibit 10.44 to the Company's Current Report on Form 10-Q, dated May 7, 2010.
10.29	Addendum XI dated July 7, 2010 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company, filed as Exhibit 10.45 to the Company's Current Report on Form 8-K dated July 8, 2010.
10.30	Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.46 to the Company's Current Report on Form 8-K dated July 30, 2010.
10.31	Second Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.47 to the Company's Current Report on Form 8-K dated April 29, 2011.
10.32	Third Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.48 to the Company's Quarterly Report on Form 10-Q dated August 8, 2011.

Table of Contents

10.33	Letter Agreement modifying section 10.2.7.2 of Addendum X dated March 15, 2010 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company, filed as Exhibit 10.49 to the Company's Quarterly Report on Form 10-Q dated August 8, 2011.
10.34	Fourth Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.50 to the Company's Quarterly Report on Form 10-Q dated August 8, 2011.
10.35	Addendum XII dated February 1, 2012 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company, filed as Exhibit 10.51 to the Company's Current Report on Form 8-K dated February 2, 2012.
10.36	Fifth Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.52 to the Company's Current Report on Form 8-K dated February 2, 2012.
10.37	Addendum XIII dated September 14, 2012 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.53 to the Company's Current Report on Form 8-K dated September 17, 2012.
10.38	Consent and Agreement dated September 14, 2012 related to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.54 to the Company's Current Report on Form 8-K dated September 17, 2012.
10.39	Amended and Restated Credit Agreement dated as of September 14, 2012, among Shenandoah Telecommunications Company, CoBank, ACB, and other Lenders, filed as Exhibit 10.55 to the Company's Current Report on Form 8-K dated September 17, 2012.
10.40	Addendum XIV dated as of November 19, 2012, to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K dated March 5, 2013.
10.41	Addendum XV dated as of March 11, 2013, to Sprint PCS Management Agreement by and among Sprint Spectrum, L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal communications, LLC, filed as Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q dated May 3, 2013.
10.42	First Amendment dated January 30, 2014, to the Amended and Restated Credit Agreement among Shenandoah Telecommunications Company, CoBank, ACB, and other Lenders, filed as Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q dated May 2, 2014.
10.43	Joinder Agreement dated January 30, 2014, to the Amended and Restated Credit Agreement among Shenandoah Telecommunications Company, CoBank, ACB, and other Lenders, filed as Exhibit 10.44 to the Company's Quarterly Report on Form 10-Q dated May 2, 2014.

10.44	Addendum XVI dated as of December 9, 2013 to Sprint PCS Management Agreement by and among Sprint Spectrum, L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.45 to the Company's Quarterly Report on Form 10-Q dated May 2, 2014.

70

Table of Contents

10.45	Addendum XVII dated as of April 11, 2014, to Sprint PCS Management Agreement by and among Sprint Spectrum, L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.46 to the Company's Quarterly Report on Form 10-Q dated May 2, 2014.
10.46	2014 Equity Plan filed as Appendix A to the Company's Definitive Proxy Statement filed on March 13, 2014 (No. 333-196990).
10.47	Master Agreement dated as of August 10, 2015, by and among SprintCom, Inc. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 11, 2015.
10.48	Addendum XVIII dated as of August 10, 2015, to Sprint PCS Management Agreement by and among SprintCom, Inc., PhillieCo, L.P., and Shenandoah Personal Communications, LLC, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, dated August 11, 2015.
10.49	Credit Agreement dated as of December 18, 2015, by and among Shenandoah Telecommunications Company, as Borrower, the guarantors party thereto from time to time, CoBank, ACB, as Administrative Agent, and various other agents and lenders named therein, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated December 24, 2015.
*21	List of Subsidiaries.
*23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
*31.1	Certification of President and Chief Executive Officer of Shenandoah Telecommunications Company pursuant to Rule 13a-14(a)under the Securities Exchange Act of 1934.
*31.2	Certification of Vice President and Chief Financial Officer of Shenandoah Telecommunications Company pursuant to Rule 13a-14(a)under the Securities Exchange Act of 1934.
*32	Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350.
(101)	Formatted in XBRL (Extensible Business Reporting Language)

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHENANDOAH TELECOMMUNICATIONS COMPANY

February 26, 2016	/S/ CHRISTOPHER E. FRENCH
	Christopher E. French, President
	(Duly Authorized Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/CHRISTOPHER E. FRENCH	President & Chief Executive Officer,
February 26, 2016	Director (Principal Executive Officer)
Christopher E. French	
/s/ADELE M. SKOLITS	Vice President – Finance and Chief Financial Officer
February 26, 2016	(Principal Financial Officer and
Adele M. Skolits	Principal Accounting Officer)
/s/DOUGLAS C. ARTHUR	Director
February 26, 2016	
Douglas C. Arthur	
/s/KEN L. BURCH	Director
February 26, 2016	
Ken L. Burch	
/s/TRACY FITZSIMMONS	Director
February 26, 2016	
Tracy Fitzsimmons	
/s/JOHN W. FLORA	Director
February 26, 2016	
John W. Flora	
/s/ RICHARD L. KOONTZ, JR.	Director
February 26, 2016	
Richard L. Koontz, Jr.	
/s/DALE S. LAM	Director
February 26, 2016	
Dale S. Lam	
/s/ JONELLE ST. JOHN	Director
February 26, 2016	
Jonelle St. John	

/s/JAMES E. ZERKEL II	Director
February 26, 2016	
James E. Zerkel II	

72

SHENANDOAH TELECOMMUNICATIONS COMPANY
AND SUBSIDIARIES

Index to the Consolidated 2015 Financial Statements

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Shenandoah Telecommunications Company:

We have audited Shenandoah Telecommunications Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Shenandoah Telecommunications Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (Item 9A). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Shenandoah Telecommunications Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Shenandoah Telecommunications Company and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three year period ended December 31, 2015, and our report dated February 26, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Richmond, Virginia

February 26, 2016

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Shenandoah Telecommunications Company:

We have audited the accompanying consolidated balance sheets of Shenandoah Telecommunications Company and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shenandoah Telecommunications Company and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Shenandoah Telecommunications Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Richmond, Virginia
February 26, 2016

Table of Contents

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014
in thousands

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	$76,812	$68,917
Accounts receivable, net	29,778	30,371
Income taxes receivable	7,694	14,752
Materials and supplies	4,183	8,794
Prepaid expenses and other	8,573	4,279
Deferred income taxes	907	1,211
Total current assets	127,947	128,324
Investments, including $2,654 and $2,661 carried at fair value	10,679	10,089
Property, plant and equipment, net	410,018	405,907
Other Assets		
Intangible assets, net	66,993	68,260
Deferred charges and other assets, net	13,103	6,662
Other assets, net	80,096	74,922
Total assets	$628,740	$619,242

(Continued)

Table of Contents

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014
in thousands

LIABILITIES AND SHAREHOLDERS' EQUITY	2015	2014
Current Liabilities		
Current maturities of long-term debt	$23,000	$23,000
Accounts payable	13,009	11,151
Advanced billings and customer deposits	11,674	12,375
Accrued compensation	5,915	5,466
Accrued liabilities and other	7,639	7,162
Total current liabilities	61,237	59,154
Long-term debt, less current maturities	178,250	201,250
Other Long-Term Liabilities		
Deferred income taxes	74,868	76,777
Deferred lease payable	8,142	7,180
Asset retirement obligations	7,266	6,928
Other liabilities	9,039	9,607
Total other liabilities	99,315	100,492
Commitments and Contingencies		
Shareholders' Equity		
Common stock, no par value, authorized 96,000 shares; issued and outstanding 48,475 shares in 2015 and 48,265 shares in 2014	32,776	29,712
Accumulated other comprehensive income, net of taxes	415	1,122
Retained earnings	256,747	227,512
Total shareholders' equity	289,938	258,346
Total liabilities and shareholders' equity	$628,740	$619,242

See accompanying notes to consolidated financial statements.

Table of Contents

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years Ended December 31, 2015, 2014 and 2013
in thousands, except per share amounts

	2015	2014	2013
Operating revenues	$342,485	$326,946	$308,942
Operating expenses			
Cost of goods and services, exclusive of depreciation and amortization shown separately below	121,330	129,743	125,140
Selling, general and administrative, exclusive of depreciation and amortization shown below	76,367	69,370	67,673
Depreciation and amortization	70,702	65,890	60,722
Total operating expenses	268,399	265,003	253,535
Operating income	74,086	61,943	55,407
Other income (expense)			
Interest expense	(7,355)	(8,148)	(8,468)
Gain on investments, net	105	208	756
Non-operating income, net	1,754	2,031	1,769
Income before income taxes	68,590	56,034	49,464
Income tax expense	27,726	22,151	19,878
Net income	$40,864	$33,883	$29,586
Other comprehensive income:			
Unrealized gain (loss) on interest rate hedge, net of tax	(707)	(1,472)	3,457
Comprehensive income	$40,157	$32,411	$33,043
Earnings per share:			
Basic	$0.84	$0.70	$0.62
Diluted	$0.83	$0.70	$0.61
Weighted average shares outstanding, basic	48,388	48,198	48,002
Weighted average shares outstanding, diluted	49,024	48,720	48,230

See accompanying notes to consolidated financial statements.

Table of Contents

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2015, 2014 and 2013
in thousands, except per share amounts

	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2012	47,924	$ 24,688	$ 184,023	$ (863)	$ 207,848
Net income	-	-	29,586	-	29,586
Other comprehensive loss, net of tax	-	-	-	3,457	3,457
Dividends declared ($0.18 per share)	-	-	(8,647)	-	(8,647)
Dividends reinvested in common stock	40	475	-	-	475
Stock based compensation	-	1,938	-	-	1,938
Common stock issued through exercise of incentive stock options	132	1,186	-	-	1,186
Common stock issued for share awards	136	-	-	-	-
Common stock issued	2	10	-	-	10
Common stock repurchased	(154)	(1,600)	-	-	(1,600)
Net excess tax benefit from stock options exercised	-	62	-	-	62
Balance, December 31, 2013	48,080	26,759	204,962	2,594	234,315
Net income	-	-	33,883	-	33,883
Other comprehensive income, net of tax	-	-	-	(1,472)	(1,472)
Dividends declared ($0.235 per share)	-	-	(11,333)	-	(11,333)
Dividends reinvested in common stock	39	572	-	-	572
Stock based compensation	-	2,624	-	-	2,624
Common stock issued through exercise of incentive stock options	102	1,141	-	-	1,141
Common stock issued for share awards	162	-	-	-	-
Common stock issued	2	6	-	-	6
Common stock repurchased	(120)	(1,785)	-	-	(1,785)
Net excess tax benefit from stock options exercised	-	395	-	-	395
Balance, December 31, 2014	48,265	29,712	227,512	1,122	258,346

(Continued)

Table of Contents

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2015, 2014 and 2013
in thousands, except per share amounts

	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Net income	-	$-	$40,864	$ -	$40,864
Other comprehensive loss, net of tax	-	-	-	(707)	(707)
Dividends declared ($0.24 per share)	-	-	(11,629)	-	(11,629)
Dividends reinvested in common stock	22	544	-	-	544
Stock based compensation	-	2,719	-	-	2,719
Common stock issued through exercise of incentive stock options	87	996	-	-	996
Common stock issued for share awards	212	-	-	-	-
Common stock issued	1	11	-	-	11
Common stock repurchased	(111)	(1,885)	-	-	(1,885)
Net excess tax benefit from stock options exercised	-	679	-	-	679
Balance, December 31, 2015	48,475	$32,776	$256,747	$ 415	$289,938

See accompanying notes to consolidated financial statements.

Table of Contents

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015, 2014 and 2013
in thousands

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	$40,864	$33,883	$29,586
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	69,287	63,324	56,583
Amortization	1,415	2,566	4,139
Provision for bad debt	1,640	1,678	2,019
Stock based compensation expense	2,333	2,624	1,938
Excess tax benefits on stock option exercises	(679)	(395)	(101)
Deferred income taxes	(451)	2,975	14,266
Net loss on disposal of equipment	235	1,975	753
Realized loss on disposal of investments	20	-	1
Unrealized (gains) loss on investments	141	51	(391)
Net gains from patronage and equity investments	(805)	(852)	(837)
Amortization of long term debt issuance costs	567	605	609
Other	93	1,515	1,663
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(1,047)	(6,225)	(2,594)
Materials and supplies	492	1,921	(927)
Income taxes receivable	7,058	1,824	(11,871)
Other assets	(6,368)	1,055	(1,034)
Increase (decrease) in:			
Accounts payable	2,753	5,040	(2,145)
Deferred lease payable	962	1,024	1,253
Other deferrals and accruals	811	405	1,354
Net cash provided by operating activities	$119,321	$114,993	$94,264

(Continued)

Table of Contents

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015, 2014 and 2013
in thousands

	2015	2014	2013
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment	$(69,679)	$(68,232)	$(117,028)
Proceeds from sale of equipment	363	551	331
Proceeds from sales of assets	-	-	25
Purchase of investment securities	-	-	(12)
Cash distributions from investments	54	43	121
Net cash used in investing activities	$(69,262)	$(67,638)	$(116,563)
Cash Flows From Financing Activities			
Principal payments on long-term debt	$(23,000)	$(5,750)	$(1,977)
Cash paid for debt issuance costs	(7,880)	-	-
Dividends paid, net of dividends reinvested	(11,085)	(10,761)	(8,191)
Excess tax benefits on stock option exercises	679	395	101
Repurchases of common stock	(1,885)	(1,785)	(1,600)
Proceeds from issuances of common stock	1,007	1,147	1,196
Net cash used in financing activities	$(42,164)	$(16,754)	$(10,471)
Net increase (decrease) in cash and cash equivalents	$7,895	$30,601	$(32,770)
Cash and cash equivalents:			
Beginning	68,917	38,316	71,086
Ending	$76,812	$68,917	$38,316
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest, net of capitalized interest of $436 in 2015, $373 in 2014, and $396 in 2013	$6,784	$7,548	$8,077
Income taxes paid, net	$21,119	$17,233	$17,483

During 2015, 2014 and 2013, the Company traded in certain PCS equipment and received credits of $711, $863 and $14,533, respectively, against the purchase price of new equipment. Accounts payable at December 31, 2015, 2014 and 2013 included $5,597, $6,492 and $7,635, respectively, associated with capital expenditures.

See accompanying notes to consolidated financial statements.

Table of Contents

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Description of business: Shenandoah Telecommunications Company and its subsidiaries (collectively, the “Company”) provide wireless personal communications service (“PCS”) under the Sprint brand, and telephone service, cable television, unregulated communications equipment sales and services, and Internet access under the Shentel brand. In addition, the Company leases towers and operates and maintains an interstate fiber optic network. Pursuant to a management agreement with Sprint and its related parties (collectively, “Sprint”), the Company is the exclusive Sprint PCS Affiliate providing wireless mobility communications network products and services on the 800 MHz, 1900 MHz and 2.5 GHz spectrum ranges in the geographic area extending from Altoona, Harrisburg and York, Pennsylvania, south through Western Maryland and the panhandle of West Virginia to Harrisonburg, Virginia. The Company is licensed to use the Sprint brand name in this territory, and operates its network under the Sprint radio spectrum license (See Note 6). The Company's other operations are located in the four-state region surrounding the Northern Shenandoah Valley of Virginia.

A summary of the Company's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of all wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has no involvement with variable interest entities. The Company accounts for investments over which it has significant influence but not a controlling financial interest using the equity method of accounting.

On October 19, 2015, the Board of Directors declared a two-for-one stock split, effective for shareholders of record as of the close of business on December 31, 2015. Shareholders received one additional share of common stock of the Company for each share held on the record date. All share and per share data presented herein for prior periods have been retroactively amended to reflect the effect of the additional shares issued and outstanding as a result of the stock split.

Use of estimates: Management of the Company has made a number of estimates and assumptions related to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management reviews its estimates, including those related to recoverability and useful lives of assets as well as liabilities for income taxes and pension benefits. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those reported estimates.

Cash and cash equivalents: The Company considers all temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents included $40.1 million and $40.0 million invested in institutional cash management funds at December 31, 2015 and 2014, respectively. The Company places its temporary cash investments with high credit quality financial institutions. Generally, these investments are in excess of FDIC or SIPC insurance limits.

Accounts receivable: Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. The Company determines the allowance based on historical write-off experience and industry and local economic data. The Company reviews its allowance for doubtful accounts monthly. Past due balances meeting specific criteria are reviewed individually for collectability. All other balances are reviewed on a pooled basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable are concentrated among customers within the Company's geographic service area and large telecommunications companies. Changes in the allowance for doubtful accounts for trade accounts receivable for the years ended December 31, 2015, 2014 and 2013 are summarized below (in thousands):

Table of Contents

	2015	2014	2013
Balance at beginning of year	$762	$924	$1,113
Bad debt expense	1,640	1,678	2,019
Losses charged to allowance	(2,586)	(2,218)	(2,390)
Recoveries added to allowance	602	378	182
Balance at end of year	$418	$762	$924

Investments: The classifications of debt and equity securities are determined by management at the date individual investments are acquired. The appropriateness of such classification is periodically reassessed. The Company monitors the fair value of all investments, and based on factors such as market conditions, financial information and industry conditions, the Company will reflect impairments in values as is warranted. The classification of those securities and the related accounting policies are as follows:

Investments Carried at Fair Value: Investments in equity and bond mutual funds and investment trusts held within the Company's rabbi trust, which is related to the Company's unfunded Supplemental Executive Retirement Plan, are reported at fair value using net asset value per share. The Company has elected to recognize unrealized gains and losses on investments carried at fair value in earnings, pursuant to the fair value option in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement.

Investments Carried at Cost: Investments in common stock in which the Company does not have a significant ownership (less than 20%) and for which there is no ready market, are carried at cost. This category includes required investments to obtain services, primarily with CoBank. Information regarding investments carried at cost is reviewed for evidence of impairment in value. Impairments are charged to earnings and a new cost basis for the investment is established.

Equity Method Investments: Investments in partnerships and in unconsolidated corporations where the Company's ownership is 20% or more, but less than 50%, or where the Company otherwise has the ability to exercise significant influence, are reported under the equity method. Under this method, the Company's equity in earnings or losses of investees is reflected in earnings. Distributions received reduce the carrying value of these investments. The Company recognizes a loss when there is a decline in value of the investment which is other than a temporary decline. Equity method investments include one investment limited partnership and several smaller investments in pooled projects.

Property, plant and equipment: Property, plant and equipment is stated at cost less accumulated depreciation and amortization. The Company capitalizes all costs associated with the purchase, deployment and installation of property, plant and equipment, including interest costs on major capital projects during the period of their construction. Expenditures, including those on leased assets, which extend the useful life or increase its utility, are capitalized. Maintenance expense is recognized when repairs are performed. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization is not included in the income statement line items "Cost of goods and services" or "Selling, general and administrative." Depreciable lives are assigned to assets based on their estimated useful lives. Leasehold improvements are depreciated over the lesser of their useful lives or respective lease terms. The Company takes technology changes into consideration as it assigns the estimated useful lives, and monitors the remaining useful lives of asset groups to reasonably match the remaining economic life with the useful life and makes adjustments when necessary.

Valuation of long-lived assets: Long lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Table of Contents

Fair value: Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments presented on the consolidated balance sheets for which the carrying value approximates fair value include: cash and cash equivalents, receivables, investments carried at fair value, payables, accrued liabilities, interest rate swaps and variable-rate long-term debt.

The Company measures its interest rate swaps at fair value and recognizes such derivative instruments as either assets or liabilities on the Company's consolidated balance sheet. Changes in the fair value of the swap acquired in 2012 are recognized in other comprehensive income, as this swap was designated as a cash flow hedge for accounting purposes. Changes in the fair value of the swap acquired in 2010 were recognized in interest expense, as the Company did not designate this swap agreement as a cash flow hedge for accounting purposes. This swap expired in 2013. The Company entered into these swaps to manage a portion of its exposure to interest rate movements by converting a portion of its variable rate long-term debt to fixed rate debt.

Asset retirement obligations: The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from acquisition, construction, development and/or normal use of the assets. The Company also records a corresponding asset, which is depreciated over the life of the tangible long-lived asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company records the retirement obligation on towers owned and cell site improvements where there is a legal obligation to remove the tower or cell site improvements and restore the site to its original condition. The terms associated with its operating leases, and applicable zoning ordinances of certain jurisdictions, define the Company's obligations which are estimated and vary based on the size of the towers. The Company's cost to remove the tower or cell site improvements is amortized over the life of the tower or cell site assets.

During the third quarter of 2015, new information was received regarding the cost to remove tower site improvements. The Company recorded an adjustment to the wireless segment asset retirement obligation liabilities to reflect changes in the estimated future cash flows underlying the obligation to remove tower site improvements.

Changes in the liability for asset removal obligations for the years ended December 31, 2015, 2014 and 2013 are summarized below (in thousands):

	2015	2014	2013
Balance at beginning of year	$6,928	$6,485	$5,896
Additional liabilities accrued	490	403	1,189
Changes to prior estimates	(467)	-	-
Payments made	(77)	(334)	(909)
Accretion expense	392	374	309
Balance at end of year	$7,266	$6,928	$6,485

Goodwill and intangible assets: In connection with the acquisition of a business, a portion of the purchase price may be allocated to identifiable intangible assets with indefinite lives, such as franchise rights, and goodwill, which is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company carries an immaterial amount of goodwill in the Wireline segment. Intangible assets with indefinite lives, primarily cable franchise rights, are assessed annually, at November 30, for impairment and in interim periods if certain triggering events occur indicating that the carrying value may be impaired. The Company determined that no impairment of Cable segment franchise rights was required for the years ended December 31, 2015, 2014 and 2013. The fair value of cable franchise rights, which is determined by a “greenfield” analysis (Level 3 fair value), was determined to exceed its $64.1 million carrying value by approximately $11.3 million at December 31, 2015, and $5.3 million at December 31, 2014.

Table of Contents

Intangible assets consist of the following at December 31, 2015 and 2014 (in thousands):

	2015 Gross Carrying Amount	Accumulated Amortization	Net	2014 Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:						
Business contracts	$1,938	$ (564)	$1,374	$1,898	$ (495)	$1,403
Cable franchise rights	-	-	-	122	(122)	-
Acquired subscriber base	25,326	(23,805)	1,521	32,315	(29,556)	2,759
	$27,264	$ (24,369)	$2,895	34,335	$ (30,173)	$4,162
Non-amortizing intangible assets:						
Cable franchise rights	$64,059	$ -	$64,059	$64,059	$ -	$64,059
Railroad crossing rights	39	-	39	39	-	39
	$64,098	$ -	$64,098	$64,098	$ -	$64,098
Total intangibles	$91,362	$ (24,369)	$66,993	$98,433	$ (30,173)	$68,260

For the years ended December 31, 2015, 2014 and 2013, amortization expense related to intangible assets was approximately $1.4 million, $2.6 million and $4.1 million, respectively.

Aggregate amortization expense for intangible assets for the periods shown is expected to be as follows:

Year Ending December 31,	Amount
	(in thousands)
2016	$ 969
2017	540
2018	221
2019	116
2020	115

Deferred charges and other assets: Deferred charges and other assets consist of derivatives used for hedging purposes and debt issuance costs, which are amortized using the effective yield method over the life of the underlying debt agreement.

Retirement plans: The Company maintains a Supplemental Executive Retirement Plan (“SERP”) for selected employees. This is an unfunded defined contribution plan. The Company created and funded a rabbi trust to hold assets equal to the liabilities under this plan. Participant balances and earnings thereon continue to be maintained for this plan, but no new participants or contributions have been added to the plan since 2010.

The Company maintains a defined contribution 401(k) plan under which substantially all employees may defer a portion of their earnings on a pretax basis, up to the allowable federal maximum annual contribution amount. The Company may make matching and discretionary contributions to this plan.

Table of Contents

Neither the rabbi trust nor the defined contribution 401(k) plan directly holds Company common stock in the plan's investment portfolio.

Income taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company evaluates the recoverability of tax assets generated on a state-by-state basis from net operating losses apportioned to that state. Management uses a more likely than not threshold to make that determination and has concluded that at December 31, 2015 and 2014, a valuation allowance against certain state deferred tax assets is necessary, as discussed in Note 5. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's policy is to record interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses.

Revenue recognition: The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered or products have been delivered, the price to the buyer is fixed and determinable and collectability is reasonably assured. Revenues are recognized by the Company based on the various types of transactions generating the revenue. For services, revenue is recognized as the services are performed. For equipment sales, revenue is recognized when the sales transaction is complete.

Under the Sprint Management Agreement, postpaid wireless service revenues are reported net of an 8% Management Fee and, since August 2013, a 14% Net Service Fee (increased from 12%), retained by Sprint. Prepaid wireless service revenues are reported net of a 6% Management Fee retained by Sprint.

Earnings per share: Basic net income per share was computed on the weighted average number of shares outstanding. Diluted net income per share was computed under the treasury stock method, assuming the conversion as of the beginning of the period, for all dilutive stock options. Of 1,312 thousand, 1,394 thousand, and 1,496 thousand shares and options outstanding at December 31, 2015, 2014 and 2013, respectively, 92 thousand, 22 thousand and 258 thousand were anti-dilutive, respectively. These options have been excluded from the computation of diluted earnings per share shown below. There were no adjustments to net income in the computation of diluted earnings per share for any of the years presented.

The following tables show the computation of basic and diluted earnings per share for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
	(in thousands, except per share amounts)		
Basic income per share			
Net income	$40,864	$33,883	$29,586
Weighted average shares outstanding	48,388	48,198	48,002
Basic income per share	$0.84	$0.70	$0.62
Effect of stock options outstanding:			
Weighted average shares outstanding	48,388	48,198	48,002
Assumed exercise, at the strike price at the beginning of year	1,302	1,410	970

Assumed repurchase of shares under treasury stock method	(666)	(888)	(742)
Diluted weighted average shares	49,024	48,720	48,230
Diluted income per share	$0.83	$0.70	$0.61

Table of Contents

Contingencies: The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Recently Issued Accounting Standards:

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14, delaying the effective date of ASU 2014-09. As amended, the new standard is effective for the Company on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 820): Amendments to the Consolidation Analysis". The ASU provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after September 1, 2016 (fiscal 2017). The Company is still evaluating what impact, if any, this ASU will have on the Company's consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs", which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU requires retrospective adoption and will be effective for the Company beginning on January 1, 2016. Early adoption is permitted. The Company has not elected to early adopt and does not expect this adoption to have a material impact on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes", to simplify the presentation of deferred income taxes by requiring deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016. Early adoption is permitted. The Company will not elect to early adopt and does not expect this adoption to have a material impact on its consolidated financial statements.

Note 2. Investments

The Company has three classifications of investments: investments carried at fair value, investments carried at cost, and equity method investments. See Note 1 for definitions of each classification of investment.

At December 31, 2015 and 2014, investments carried at fair value consisted of:

	2015	2014
	(in thousands)	
Taxable bond funds	$24	$10

Domestic equity funds	2,564	2,553
International equity funds	66	98
	$2,654	$2,661

Table of Contents

Investments carried at fair value were acquired under a rabbi trust arrangement related to the Company's SERP. The Company purchases investments in the trust to mirror the investment elections of participants in the SERP; gains and losses on the investments in the trust are reflected as increases or decreases in the liability owed to the participants. The Company recorded unrealized losses of $141 thousand and $51 thousand in 2015 and 2014, respectively, and unrealized gains of $391 thousand during 2013. Dividends received from the investment totaled $134 thousand, $184 thousand, and $74 thousand during 2015, 2014 and 2013, respectively. Fair values for these investments are determined by quoted market prices ("Level 1 fair values") for the underlying mutual funds, which may be based upon net asset value.

At December 31, 2015 and 2014, other investments, comprised of equity securities which do not have readily determinable fair values, consist of the following:

	2015	2014
Cost method:	(in thousands)	
CoBank	$4,137	$3,749
Other – Equity in other telecommunications partners	760	755
	4,897	4,504
Equity method:		
Private equity limited partnerships	2,624	2,419
Other	504	505
	3,128	2,924
Total other investments	$8,025	$7,428

The Company's investment in CoBank increased $388 thousand and $406 thousand in the years ended December 31, 2015 and 2014, respectively, due to the ongoing patronage earned from the outstanding investment and loan balances the Company has with CoBank.

In the year ended December 31, 2015, the Company received distributions from its investments totaling $30 thousand in cash. Equity method investments had a net gain of $266 thousand in the year ended December 31, 2015. During 2015, the Company accepted an offer for the sale of the remaining shares of VA Capital, LLC, an equity method investment. As a result of the transaction, the Company received $24 thousand in proceeds from the sale and recorded a loss totaling $20 thousand on the remaining investment. There were no sales of investments during 2014 while sales in 2013 resulted in a $1 thousand realized loss. The Company's ownership interests in the remaining equity method investees were unchanged during 2015.

Note 3. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2015 and 2014:

	Estimated Useful Lives	2015	2014
		(in thousands)	
Land		$4,181	$3,700
Buildings and structures	10 – 40 years	108,341	103,341
Cable and wire	4 – 40 years	214,721	201,938
Equipment and software	2 – 16.7 years	391,260	366,342
Plant in service		$718,503	$675,321
Plant under construction		36,600	18,078
Total property, plant and equipment		755,103	693,399
Less accumulated amortization and depreciation		345,085	287,492

Property, plant and equipment, net	$410,018	$405,907

Table of Contents

The Company traded in certain base station PCS equipment for 4G LTE base station equipment in 2015 and 2014, and received credits of $711 thousand and $863 thousand, respectively, against the fair value purchase price of the new equipment. The Company adjusted depreciation on equipment to be traded in so that the net book value at trade-in approximated the credit to be received.

Note 4. Long-Term Debt and Revolving Lines of Credit

Total debt consists of the following at December 31, 2015 and 2014:

		Interest Rate	2015	2014
			(in thousands)	
CoBank Term Loan	Variable	2.67 %	201,250	224,250
Current maturities			23,000	23,000
Total long-term debt			$178,250	$201,250

On September 14, 2012, the Company executed an Amended and Restated Credit Agreement with CoBank and with the participation of 16 additional Farm Credit institutions, for the purpose of refinancing the Company's existing outstanding debt, funding capital expenditures to upgrade the Company's wireless network in conjunction with Sprint's wireless network upgrade project known as Network Vision, and other corporate needs.

The Amended and Restated Credit Agreement provides for three facilities, a Term Loan Facility, a Revolver Facility, and an Incremental Term Loan Facility. The Term Loan Facility requires quarterly principal repayments of $5.75 million which began on December 31, 2014, with the remaining expected balance of approximately $120.75 million due at maturity on September 30, 2019. The Term Loan Facility bears interest at 30-day LIBOR, currently 0.42%, plus a spread determined by the Company's Total Leverage Ratio, currently 2.25%. The Company may elect to use rates other than the 30-day LIBOR as the base, but does not currently expect to do so.

The Revolver Facility provides for $50 million in immediate availability for future capital expenditures and general corporate needs. In addition, the Amended and Restated Credit Agreement permits the Company to enter into one or more Incremental Term Loan Facilities, or to increase the Revolver Facility, in the aggregate principal amount not to exceed $100 million subject to compliance with certain covenants. No draw has been made or is currently contemplated under either of these facilities. When and if a draw is made, the maturity date and interest rate options would be substantially identical to the Term Loan Facility. Repayment provisions would be agreed to at the time of each draw under the Incremental Term Loan Facility.

The Amended and Restated Credit Agreement contains affirmative and negative covenants customary to secured credit facilities, including covenants restricting the ability of the Company and its subsidiaries, subject to negotiated exceptions, to incur additional indebtedness and additional liens on their assets, engage in mergers or acquisitions, dispose of assets, pay dividends or make other distributions, voluntarily prepay other indebtedness, enter into transactions with affiliated persons, make investments, and change the nature of the Company's and its subsidiaries' businesses.

Indebtedness outstanding under any of the facilities may be accelerated by an Event of Default, as defined in the Amended and Restated Credit Agreement.

The Facilities are secured by a pledge by the Company of its stock in its subsidiaries, a guarantee by the Company's subsidiaries other than Shenandoah Telephone Company, and a security interest in all of the assets of the guarantors.

The Company is subject to certain financial covenants to be measured on a trailing twelve month basis each calendar quarter unless otherwise specified. These covenants include:

- a limitation on the Company's total leverage ratio, defined as indebtedness divided by earnings before interest, taxes, depreciation and amortization, or EBITDA, of less than or equal to 2.00 to 1.00 thereafter;

Table of Contents

- a minimum debt service coverage ratio, defined as EBITDA divided by the sum of all scheduled principal payments on the Term Loans and regularly scheduled principal payments on other indebtedness plus cash interest expense, greater than 2.50 to 1.00 at all times;
- a minimum equity to assets ratio, defined as consolidated total assets minus consolidated total liabilities, divided by consolidated total assets, of at least 0.35 to 1.00 thereafter, measured at each fiscal quarter end;

As shown below, as of December 31, 2015, the Company was in compliance with the financial covenants in its credit agreements.

	Actual	Covenant Requirement
Total Leverage Ratio	1.35	2.00 or Lower
Debt Service Coverage Ratio	4.24	2.50 or Higher
Equity to Assets Ratio	46.1 %	35.0% or Higher

The Amended and Restated Credit Agreement required the Company to obtain interest rate protection within 90 days of the amendment date for at least 33% of the aggregate principal balance of the Term Loan then outstanding, for not less than three years after such date. In September 2012, the Company entered into a pay fixed, receive variable interest rate swap (the 2012 swap) agreement covering approximately 76% of the outstanding principal of the Term Loan balance through its maturity. The 2012 swap fixes the effective rate on this portion of the debt at 1.13% over our margin, currently 2.25%, for an effective fixed rate of 3.38% at December 31, 2015. The Company has applied hedge accounting to this swap agreement. See Note 13 for additional information on hedging transactions.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2015 are as follows:

Year	Amount (in thousands)
2016	$ 23,000
2017	23,000
2018	23,000
2019	132,250
2020	-
	$ 201,250

The Company has no fixed rate debt instruments as of December 31, 2015. The estimated fair value of the variable rate debt approximates its carrying value. The fair value of the Company's interest rate swap was an asset of $688 thousand and $1.9 million at December 31, 2015 and 2014, respectively.

The Company receives patronage credits from CoBank and certain of its affiliated Farm Credit institutions, which are not reflected in the stated rates shown above. Patronage credits are a distribution of profits of CoBank as approved by its Board of Directors. During the first quarters of 2015, 2014 and 2013, the Company received patronage credits on its outstanding CoBank debt balance. The Company accrued $1.5 million in non-operating income in the year ended December 31, 2015, in anticipation of the early 2016 distribution of the credits by CoBank. Patronage credits have historically been paid in a mix of cash and shares of CoBank stock. The 2015 payout mix was 75% cash and 25% shares.

Merger-Related Financing Transaction

In connection with the Merger and the Sprint Transactions (as defined in Note 16), on December 18, 2015, the Company entered into a credit agreement (the "New Credit Agreement") with various banks and other financial institutions party thereto (the “Lenders”) and CoBank, ACB, as administrative agent for the Lenders. The Credit Agreement provides for three facilities: (i) a five-year revolving credit facility of up to $75 million, (ii) a five-year term loan facility of up to $485 million and (iii) a seven-year term loan facility (with two years of interest-only payments) of up to $400 million (collectively, the “Facilities”), which the Company expects to use to pay the Merger Consideration (as defined in Note 16), to finance the network upgrades required by the Sprint Transactions, to refinance, in full, all indebtedness outstanding under the Company’s existing credit agreement, to repay all existing indebtedness of nTelos (as defined in Note 16), to pay fees and expenses in connection with the Merger and for working capital, capital expenditures and other corporate purposes of the Company and its subsidiaries (and, following the consummation of the Merger, of nTelos and its subsidiaries).

Table of Contents

The Company will be the borrower under the New Credit Agreement. The availability of the Facilities is subject to the satisfaction or waiver of certain conditions set forth in the New Credit Agreement, including, among other things, the consummation of the Merger on or before June 28, 2016. The commitments of the Lenders with respect to the Facilities will terminate if the consummation of the Merger and the initial funding of the Facilities does not occur on or prior to June 28, 2016.

Subsequent to the closing of the nTelos transaction, the Company's future requirements for debt service will increase, due to incremental interest on the larger outstanding loan balances, and increased amortization requirements to pay down the loan balances, compared to the terms of our existing debt arrangements.

Note 5. Income Taxes

Total income taxes for the years ended December 31, 2015, 2014 and 2013 were allocated as follows:

	2015	2014	2013
	(in thousands)		
Income tax expense on continuing operations	$27,726	$22,151	$19,878
Shareholders' equity, for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(679)	(395)	(101)
Other comprehensive income for changes in cash flow hedge	(476)	(993)	2,315
	$26,571	$20,763	$22,092

The Company and its subsidiaries file income tax returns in several jurisdictions. The provision for the federal and state income taxes attributable to income from continuing operations consists of the following components:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Current expense			
Federal taxes	$23,579	$16,592	$3,404
State taxes	5,275	2,562	2,305
Total current provision	28,854	19,154	5,709
Deferred expense (benefit)			
Federal taxes	(744)	1,636	12,317
State taxes	(384)	1,361	1,852
Total deferred provision	(1,128)	2,997	14,169
Income tax expense on continuing operations	$27,726	$22,151	$19,878
Effective tax rate	40.4 %	39.5 %	40.2 %

Table of Contents

A reconciliation of income taxes determined by applying the federal and state tax rates to income from continuing operations is as follows for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Computed "expected" tax expense (35%)	$24,007	$19,612	$17,312
State income taxes, net of federal tax effect	3,179	2,550	2,702
Other, net	540	(11)	(136)
Income tax expense on continuing operations	$27,726	$22,151	$19,878

The effective rates vary among the years presented primarily due to state income taxes. Changes in the mix of income and/or losses among the Company's subsidiaries, which file separate state returns for various states, result in variations in the effective tax rates.

Net deferred tax assets and liabilities consist of the following temporary differences at December 31, 2015 and 2014:

	2015	2014
	(in thousands)	
Deferred tax assets:		
Lease obligations	$3,109	$2,733
Deferred activation charges	78	108
Allowance for doubtful accounts	168	306
Inventory reserves	53	189
State net operating loss carry-forwards, net of federal tax	717	717
Accrued pension costs	1,023	1,086
Transaction costs	538	--
Accrued compensation costs	1,915	1,550
Asset retirement obligations	2,922	2,790
Intangible assets	7,525	7,921
Goodwill	2,196	2,434
Deferred revenues	2,289	2,691
Total gross deferred tax assets	22,533	22,525
Less valuation allowance	(709)	(709)
Net deferred tax assets	21,824	21,816
Deferred tax liabilities:		
Plant and equipment	$85,503	$87,941
Franchise rights	9,396	7,686
Section 481a deferred revenues	-	246
Deferred financing costs	84	106
Prepaid insurance	125	116
Gain on investments, net	401	409
Other, net	276	878
Total gross deferred tax liabilities	95,785	97,382
Net deferred tax liabilities	$73,961	$75,566

Table of Contents

In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon generating future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods for which the deferred tax assets are deductible, management believes it more likely than not that the state net operating loss carry-forwards from Converged Services will not be realized. The Company has a deferred tax asset of $717 thousand related to various state net operating losses, and carries this asset at $8 thousand, net of the valuation allowance of $709 thousand.

As of December 31, 2015 and 2014, the Company had no unrecognized tax benefits. It is the Company's policy to record interest and penalties related to unrecognized tax benefits in income before taxes.

The Company files U.S. federal income tax returns and various state and local income tax returns. With few exceptions, years prior to 2012 are no longer subject to examination. The Company is not currently subject to state or federal income tax audits as of December 31, 2015.

Note 6. Significant Contractual Relationship

In 1999, the Company executed a Management Agreement (the "Agreement") with Sprint whereby the Company committed to construct and operate a PCS network using CDMA air interface technology. Under the Agreement, the Company was the exclusive PCS Affiliate of Sprint providing wireless mobility communications network products and services on the 1900 MHz band in its territory which extends from Altoona, York and Harrisburg, Pennsylvania, and south along the Interstate 81 corridor through Western Maryland, the panhandle of West Virginia, to Harrisonburg, Virginia. The Company is authorized to use the Sprint brand in its territory, and operate its network under Sprint's radio spectrum licenses. As an exclusive PCS Affiliate of Sprint, the Company has the exclusive right to build, own and maintain its portion of Sprint's nationwide PCS network, in the aforementioned areas, to Sprint's specifications. The term of the Agreement was initially set for 20 years and was automatically renewable for three 10-year options, unless terminated by either party under provisions outlined in the Agreement. Upon non-renewal by either party, the Company has either the right or the obligation to sell the business at 80% of "Entire Business Value" ("EBV") as defined in the Agreement. EBV is defined as i) the fair market value of a going concern paid by a willing buyer to a willing seller; ii) valued as if the business will continue to utilize existing brands and operate under existing agreements; and, iii) valued as if Manager (Shentel) owns the spectrum. Determination of EBV is made by an independent appraisal process.

The Agreement has been amended numerous times, most recently during 2015. During 2012, the Company amended its Agreement with Sprint in order to build a 4G LTE network in the Company's service area. In addition to adding 4G services to the Company's network, the Company received access to additional 1900 and 800 MHz spectrum, extended the initial term of the contract five years from 2019 to 2024 and set the maximum contract length at 45 years. The agreement also increased the cap on the Net Service Fee related to postpaid revenues. Effective August 1, 2013, the Net Service Fee increased to its 14% maximum. There is also a management fee of 8% on postpaid revenues which has remained constant for the life of the contract.

During 2013, the Company amended its Agreement with Sprint in order to allow Sprint to recover the capital costs incurred in providing the Company hardware and software components of the network. These components control and direct LTE traffic between LTE devices in the Company's service area and the internet, in order to assure interoperability of the Company's network with Sprint's PCS network. The Company pays a one-time fee of $9.23 per incremental LTE device activated in the Company's service area. The Company incurred $1.1 million, $1.1 million and $1.3 million of these fees during 2015, 2014 and 2013, respectively.

During 2014, the Company amended its Agreement with Sprint in order to allow the Company's PCS stores to begin participating in Sprint's handset financing programs, whereby Sprint enters into a financing agreement with the subscriber and the subscriber receives a handset from Sprint. The equipment revenue from the subscriber, the handset expense and any related bad debt are Sprint's responsibility and are not recorded by the Company.

During 2015, effective January 1, 2016, the Company amended its Agreement with Sprint in order to better allocate certain costs covered by the Net Service Fee and extended the initial term to 2029. The Net Service Fee was reduced to 8.6%, and certain costs and revenues previously included within the Net Service Fee were broken out of the Net Service Fee and will be separately settled in the future. Separately settled revenues primarily consist of revenues associated with Sprint's wholesale subscribers using the Company's network and net travel revenue. In addition, the Company will be charged for the costs of subsidized handsets sold through Sprint's national channels as well as commissions paid by Sprint to third-party resellers in our service territory. The Company does not expect this treatment to result in a significant change in wireless postpaid results, though it will increase total revenue and total operating expenses.

Table of Contents

Under the Sprint agreements, Sprint provides the Company significant support services such as customer service, billing, collections, long distance, national network operations support, inventory logistics support, use of the Sprint brand names, national advertising, national distribution and product development. Cost of equipment transactions between the Company and Sprint relate to inventory purchased and subsidized costs of handsets. These costs also included transactions related to subsidized costs on handsets and commissions paid to Sprint for sales of handsets through Sprint's national distribution programs.

The Company's PCS subsidiary is dependent upon Sprint's ability to execute certain functions such as billing, customer care, collections and other operating activities under the Company's agreements with Sprint. Due to the high degree of integration within many of the Sprint systems, and the Company's dependency on these systems, in many cases it would be difficult for the Company to perform these services in-house or to outsource the services to another provider. If Sprint is unable to perform any such service, the change could result in increased operating expenses and have an adverse impact on the Company's operating results and cash flow. In addition, the Company's ability to attract and maintain a sufficient customer base is critical to generating positive cash flow from operations and profits for its PCS operation. Changes in technology, increased competition, or economic conditions in the wireless industry or the economy in general, individually and/or collectively, could have an adverse effect on the Company's financial position and results of operations.

Note 7. Related Party Transactions

ValleyNet, an equity method investee of the Company, resells capacity on the Company's fiber network under an operating lease agreement. Facility lease revenue from ValleyNet was approximately $2.7 million, $3.0 million and $3.0 million in the years ended December 31, 2015, 2014 and 2013, respectively. At both December 31, 2015 and 2014, the Company had accounts receivable from ValleyNet of approximately $0.2 million. The Company's PCS operating subsidiary leases capacity through ValleyNet. Payment for usage of these facilities was $2.4 million, $2.3 million and $1.7 million in the years ended December 31, 2015, 2014 and 2013, respectively.

Note 8. Retirement Plans

The Company maintains a defined contribution 401(k) plan. The Company's matching and employer discretionary contributions to the defined contribution 401(k) plan were approximately $2.6 million, $2.5 million and $2.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company maintains an unfunded, nonqualified Supplemental Executive Retirement Plan (the "SERP") for named executives. In 2010, the Company curtailed future participation in the SERP. Current participants may remain in the SERP and continue to earn returns (either gains or losses) on invested balances, but the Company will make no further contributions to the SERP and no new participants will be eligible to join the SERP.

In order to provide some protection to the participants, the Company created a rabbi trust to hold assets sufficient to pay obligations under the SERP. Assets within the trust were invested to mirror participant elections as to investment options (a mix of stock and bond mutual funds); investment income, gains and losses in the trust were used to determine investment returns on the participants' balances in the SERP. At December 31, 2015 and 2014, the total liability due to participants in the SERP was $2.7 million and $2.7 million, respectively.

Note 9. Stock Incentive Plans

The Company maintains two shareholder-approved Company Stock Incentive Plans allowing for the grant of equity based incentive compensation to essentially all employees. The 2005 Plan authorized grants of up to 2,880,000 shares over a ten-year period beginning in 2005. The term of the 2005 Plan expired in February 2014; outstanding awards will continue to vest and options may continue to be exercised, but no additional awards will be granted under the

2005 Plan. The 2014 Plan authorizes grants of up to an additional 3,000,000 shares over a ten-year period beginning in 2014. Under these Plans, grants may take the form of stock awards, awards of options to acquire stock, stock appreciation rights, and other forms of equity based compensation; both options to acquire stock and stock awards were granted. The option price for all grants has been the current market price at the time of the grant.

Table of Contents

Option Awards

The Company did not grant stock options during 2015 or 2014. During 2013, the Company granted stock options to certain management employees. These grants consisted of incentive and non-qualified stock options, vesting 25% annually on the first through fourth anniversaries of the grant date, and having a maximum ten year life. In addition, during 2013 the Company granted stock options to a then recently hired officer. This grant consisted of both incentive and non-qualified stock options, vesting 25% annually on the third, fourth, fifth and sixth anniversaries of the grant date, and having a maximum seven year life. These grants were accounted for as equity-classified stock options.
The fair values of these grants were estimated at the respective grant dates using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	2013
Dividend rate	2.38%
Risk-free interest rate	1.15%
Expected lives of options	6.14 years
Price volatility	40.66%

Volatility is based on the historical volatility of the price of the Company's stock over the expected term of the options. The expected term represents the period of time that the options granted are expected to be outstanding. The risk free rate is based on the U.S. Treasury yield curve, in effect at the date the fair value of the options is calculated, with an equivalent term.

Management has made an estimate of expected forfeitures and recognizes compensation costs only for those awards expected to vest. Compensation cost recognized in 2015, 2014 and 2013 totaled $142 thousand, $452 thousand and $612 thousand, respectively, and the income tax benefit for option-based compensation arrangements recognized in 2015, 2014 and 2013 was $29 thousand, $78 thousand and $134 thousand, respectively.

A summary of outstanding options at December 31, 2015, 2014 and 2013, and changes during the years ended on those dates, is as follows:

	Number of Options	Weighted Average Grant Price Per Option	Fair Value Per Option
Outstanding December 31, 2012	989,376	$ 8.91	
Granted	266,096	6.92	$ 2.16
Cancelled	(21,182)	12.63	
Exercised	(133,276)	8.41	
Outstanding December 31, 2013	1,101,014	$ 8.35	
Granted	-	-	$ N/A
Cancelled	(2,146)	12.63	
Exercised	(101,516)	11.21	
Outstanding December 31, 2014	997,352	$ 8.05	
Granted	-	-	$ N/A

Cancelled	(6,252)	12.63
Exercised	(86,942)	11.46
Outstanding December 31, 2015	904,158	$ 7.70

Table of Contents

There were options for 904,158 shares outstanding at December 31, 2015 at a weighted average price of $7.70 per share, an aggregate intrinsic value of $12.5 million and a weighted-average remaining contractual life of 5.2 years. There were options for 665,340 shares exercisable at December 31, 2015 at a weighted average exercise price of $8.15 per share, an aggregate intrinsic value of $8.9 million and a weighted-average remaining contractual life of 4.6 years. The aggregate intrinsic value represents the total pretax intrinsic value of in-the-money options, based on the Company's closing stock price of $21.53 as of December 31, 2015.

During 2015, the total fair value of options vested was $0.3 million; the total intrinsic value of options exercised was $0.7 million. The total cash received as a result of employee stock option exercises was $1.0 million. The tax benefit realized from these exercises was $0.2 million.

As of December 31, 2015, the total compensation cost related to non-vested options not yet recognized is $0.1 million, which will be recognized over a weighted-average period of 2.0 years.

Stock Awards

In September 2007, the Company granted 136,260 performance shares to all members of the Board of Directors and essentially all employees during 2007. Directors and senior management in the aggregate were granted 46,808 performance shares ("management shares"); all other employees in the aggregate were granted 89,452 performance shares ("employee shares"). Management shares can vest at the fifth, sixth, seventh or eighth anniversary of the grant date if, for the thirty day period ending on the day prior to the respective anniversary date, the average closing price of a share of the Company's common stock exceeds a defined target price. The target price for each anniversary date is equal to the grant date market price ($10.25 per share) plus $0.82 for each year since the grant date. Shares will vest only if the target price is achieved and the recipient has remained employed through, or reached normal retirement age before, the anniversary date that the target price is achieved on. No shares have vested under these awards. In September 2013, employee shares expired without vesting and were cancelled.

The Company estimated expected forfeitures of 40% for management shares and 35% for employee shares. During 2011, the Company revised its estimate of management share forfeitures to 15%, adding $48 thousand to recorded compensation expense. During 2013, the Company finalized its adjustment for employee share forfeitures to 39%, which lowered recorded compensation expense by $40 thousand. In September 2015, the management shares vested, and 37,826 shares were distributed and a final adjustment for management share forfeitures was posted, which reduced compensation expense by $37 thousand.

In February 2013, 2014 and 2015, the Company made grants of 124,566, 135,562 and 79,946 non-vested shares to 18, 22 and 21 management employees, respectively. The 2013 shares vest 25% annually. The 2014 and 2015 shares vest 25% annually; however, if an employee reaches the age of 55, has achieved 10 years of service with the Company and retires, the unvested shares are not forfeited. The first year of vesting for the 2015 shares is on the one-year anniversary of the issue date. The awards were valued at the market price of the Company's common stock on the date of grant ($6.92, $13.00 and $15.01 per share, respectively). The Company also made grants of non-vested shares to the non-employee members of the Company's Board of Directors. The Company granted 23,120, 12,304 and 31,984 shares in 2013, 2014 and 2015, respectively, valued at the market price of the Company's common stock on the grant date ($6.92, $13.00 and $15.01 per share, respectively). The 2013 and 2014 shares vest 33% annually, while the 2015 shares fully vest after one year.

In February 2015, the Company made grants of 48,576 non-vested share units to eight management employees. These grants were made under a Relative Total Shareholder Return ("RTSR") plan structure. Under this structure, the Company's stock performance over a three year period ended December 31, 2017, will be compared to a group of 38 peer companies, and a payout will be determined based upon the Company's performance relative to the performance of the peer group. The payout could range anywhere from zero shares awarded, up to 150% of the granted share units, or 72,858 shares. The fair value of the grant ($15.66) was determined as of the grant date using a Monte Carlo simulation. The following assumptions were utilized in the valuation:

Table of Contents

Stock price (closing price on issue date)	$15.01
Risk-free interest rate (interpolated rate between 2-year and 3-year U.S. treasury rates)	0.95%
Dividend yield	1.57%
Performance period	2.87 years

In May 2013, 2014 and 2015, the Company made grants of non-vested shares to select other employees. In May 2013, the Company granted 49,686 shares, of which 19,134 were vested and distributed immediately. In May 2014, the Company granted 33,664 shares, of which 9,390 were vested and distributed immediately. In May 2015, the Company granted 29,752 shares, of which 10,180 were vested and distributed immediately. The remaining shares in each award vest in various schedules over four years. Beginning with the 2015 shares, if an employee reaches the age of 55, has achieved 10 years of service with the Company and retires, the unvested shares are not forfeited. The awards were valued at the market price of the Company's common stock on the date of grant ($8.74, $12.83 and $17.23 per share in 2013, 2014 and 2015, respectively).

A summary of outstanding share grants at December 31, 2015, 2014, and 2013, and changes during the years ended on those dates, is as follows:

	Shares
Outstanding December 31, 2012	426,708
Granted	197,372
Cancelled	(61,988)
Vested and issued	(135,912)
Outstanding December 31, 2013	426,180
Granted	181,530
Cancelled	(10,764)
Vested and issued	(161,674)
Outstanding December 31, 2014	435,272
Granted	190,258
Cancelled	(6,736)
Vested and issued	(211,498)
Outstanding December 31, 2015	407,296

Compensation cost recognized for share awards during 2015, 2014 and 2013, was $2.6 million, $2.2 million and $1.3 million, respectively. The income tax benefit for share-based compensation arrangements was $1.3 million, $0.9 million, and $0.5 million for 2015, 2014 and 2013, respectively.

As of December 31, 2015, the total compensation cost related to non-vested share awards not yet recognized is $1.5 million which will be recognized over a weighted-average period of 2.0 years.

Note 10. Major Customer

The Company has one major customer relationship with Sprint that is a significant source of revenue. Approximately 56% of total operating revenues for the year ended December 31, 2015, 58% of total operating revenues for the year ended December 31, 2014, and 59% of total operating revenues for the year ended December 31, 2013, were generated by or through Sprint and its customers using the Company's portion of Sprint's nationwide PCS network.

No other customer relationship generated more than 1.0% of the Company's total operating revenues for the years ended December 31, 2015, 2014 or 2013.

Table of Contents

Note 11. Shareholder Rights Plan

Effective as of February 8, 2008, the Board of Directors adopted a Shareholder Rights Plan (the "Plan") to replace an expiring plan which was adopted in 1998. Under certain circumstances, holders of each right (granted at one right per share of outstanding common stock) will be entitled to purchase for $20 one half a share of the Company's common stock (or, in certain circumstances, $40 worth of cash, property or other securities of the Company for $20). The rights are neither exercisable nor traded separately from the Company's common stock. The rights are only exercisable if a person or group becomes or attempts to become, the beneficial owner of 15% or more of the Company's common stock. Under the terms of the Plan, such a person or group would not be entitled to the benefits of the rights. The Plan provides that the Board of Directors may redeem the outstanding rights at any time for $.0005 per right, and except with respect to the redemption price of the rights, any of the provisions of the Rights Agreement may be amended by the Board of Directors of the Company. The Plan provides for the Board of Directors to appoint a committee (the "TIDE Committee") that is comprised of independent directors of the Company to review and evaluate the Shareholder Rights Plan in order to consider whether it continues to be in the interest of the Company and its shareholders at least every three years. Following each such review, the TIDE Committee will communicate its conclusions to the full Board of Directors, including any recommendation as to whether the Plan should be modified or the Rights should be redeemed. In January 2014, the TIDE Committee recommended to the full Board of Directors, and the Board of Directors approved, that the Plan be maintained as originally adopted. The purchase price applicable to each right and the redemption price have been adjusted under the terms of the Plan to reflect the two-for-one stock split implemented by the Company.

Note 12. Lease Commitments

The Company leases land, buildings and tower space under various non-cancelable agreements, which expire between the years 2016 and 2040 and require various minimum annual rental payments. These leases typically include renewal options and escalation clauses. In general, tower leases have five or ten year initial terms with four renewal terms of five years each. The other leases generally contain certain renewal options for periods ranging from five to twenty years.

Future minimum lease payments under non-cancelable operating leases, including renewals that are reasonably assured at the inception of the lease, with initial variable lease terms in excess of one year as of December 31, 2015, are as follows:

Year Ending	Amount (in thousands)
2016	$ 14,605
2017	14,767
2018	14,557
2019	14,187
2020	13,554
2021 and beyond	71,732
	$ 143,402

The Company's total rent expense was $16.9 million, $16.1 million, and $15.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

As lessor, the Company has leased buildings, tower space and telecommunications equipment to other entities under various non-cancelable agreements, which require various minimum annual payments. The total minimum rental receipts at December 31, 2015 are as follows:

F-27

Table of Contents

Year Ending	Amount (in thousands)
2016	$ 4,954
2017	4,186
2018	3,289
2019	2,636
2020	1,858
2021 and beyond	2,102
	$ 19,025

The Company’s total rent income was $6.3 million, $6.0 million, and $5.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. Total rent income includes month-to-month leases which are excluded from the table above.

Note 13. Derivative Instruments and Hedging Activities

The Company’s objectives in using interest rate derivatives are to add stability to cash flows and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps (both those designated as cash flow hedges as well as those not designated as cash flow hedges) involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

In August 2010, the Company entered into a pay fixed, receive variable interest rate swap of $63.3 million of notional principal. This interest rate swap was not designated as a cash flow hedge. Changes in the fair value of interest rate swaps not designated as cash flow hedges were recorded in interest expense each reporting period. This swap expired in July 2013. Changes in fair value recorded in interest expense for the year ended December 31, 2013 was a decrease of $239 thousand.

The Company entered into a pay fixed, receive variable interest rate swap of $174.6 million of initial notional principal in September 2012. This interest rate swap was designated as a cash flow hedge. The total outstanding notional amount of cash flow hedges was $152.8 million and $170.3 million as of December 31, 2015 and 2014, respectively. The outstanding notional amount decreases as the Company makes scheduled principal payments on the debt.

The effective portion of changes in the fair value of interest rate swaps designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The Company uses its derivatives to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivative is recognized directly in earnings through interest expense. No hedge ineffectiveness was recognized during any of the periods presented.

Amounts reported in accumulated other comprehensive income related to the interest rate swap designated and that qualify as cash flow hedges are reclassified to interest expense as interest payments are accrued on the Company’s variable-rate debt. As of December 31, 2015, the Company estimates that $0.7 million will be reclassified as an increase to interest expense during the next twelve months due to the interest rate swap since the hedge interest rate exceeds the variable interest rate on the debt.

Table of Contents

The table below presents the fair value of the Company's derivative financial instruments as well as its classification on the consolidated balance sheet as of December 31, 2015 and 2014 (in thousands):

	Balance Sheet Location	Fair Value as of December 31, 2015	December 31, 2014
Derivatives designated as hedging instruments:			
Interest rate swaps			
	Accrued liabilities and other	$ (682)	$ (1,309)
	Deferred charges and other assets, net	1,370	3,180
Total derivatives designated as hedging instruments		$ 688	$ 1,871

The fair value of interest rate swaps is determined using a pricing model with inputs that are observable in the market (Level 2 fair value inputs).

The table below presents changes in accumulated other comprehensive income by component for the twelve months ended December 31, 2015 (in thousands):

	Gains and (Losses) on Cash Flow Hedges	Income Tax (Expense) Benefit	Accumulated Other Comprehensive Income
Balance as of December 31, 2014	$ 1,871	$ (749)	$ 1,122
Other comprehensive income (loss) before reclassifications	(2,732)	1,095	(1,637)
Amounts reclassified from accumulated other comprehensive income (to interest expense)	1,549	(619)	930
Net current period other comprehensive income (loss)	(1,183)	476	(707)
Balance as of December 31, 2015	$ 688	$ (273)	$ 415

Note 14. Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker. The Company has three reportable segments, which the Company operates and manages as strategic business units organized by lines of business: (1) Wireless, (2) Cable, and (3) Wireline. A fourth segment, Other, primarily includes Shenandoah Telecommunications Company, the parent holding company.

The Wireless segment provides digital wireless service to a portion of a four-state area covering the region from Harrisburg, York and Altoona, Pennsylvania, to Harrisonburg, Virginia, as a Sprint PCS Affiliate. This segment also owns cell site towers built on leased land, and leases space on these towers to both affiliates and non-affiliated service providers.

The Cable segment provides video, internet and voice services in Virginia, West Virginia and Maryland, and leases fiber optic facilities throughout southern Virginia and West Virginia. It does not include video, internet and voice services provided to customers in Shenandoah County, Virginia.

The Wireline segment provides regulated and unregulated voice services, DSL internet access, and long distance access services throughout Shenandoah County and portions of Rockingham, Frederick, Warren and Augusta counties, Virginia. The segment also provides video services in portions of Shenandoah County, and leases fiber optic facilities throughout the northern Shenandoah Valley of Virginia, northern Virginia and adjacent areas along the Interstate 81 corridor through West Virginia, Maryland and portions of Pennsylvania.

Table of Contents

Prior year service and other revenue amounts in the Cable segment have been recast to conform to the current year presentation of video and internet equipment revenues being included in service revenue rather than other revenue.

For the Wireline segment, prior year categories of access revenue, facilities lease revenue and equipment revenue have been combined into the new category of carrier access and fiber revenue to conform to current year presentation. Additionally, set-top box revenues included in other revenue in the prior year are now presented within service revenue.

Year ended December 31, 2015
(In thousands)

	Wireless	Cable	Wireline	Other	Eliminations	Consolidated Totals
External revenues						
Service revenues	$192,752	$88,980	$19,386	-	-	$ 301,118
Other revenues	11,609	7,793	21,965	-	-	41,367
Total external revenues	204,361	96,773	41,351	-	-	342,485
Internal revenues	4,440	849	26,069	-	(31,358)	-
Total operating revenues	208,801	97,622	67,420	-	(31,358)	342,485
Operating expenses						
Costs of goods and services, exclusive of depreciation and amortization shown separately below	63,570	54,611	31,668	-	(28,519)	121,330
Selling, general and administrative, exclusive of depreciation and amortization shown below	35,792	19,412	6,612	17,390	(2,839)	76,367
Depreciation and amortization	34,416	23,097	12,736	453	-	70,702
Total operating expenses	133,778	97,120	51,016	17,843	(31,358)	268,399
Operating income (loss)	$75,023	$502	$16,404	$ (17,843)	$ -	$ 74,086

Year ended December 31, 2014
(In thousands)

	Wireless	Cable	Wireline	Other	Eliminations	Consolidated Totals
External revenues						
Service revenues	$191,147	$ 77,179	$18,919	-	-	$ 287,245
Other revenues	11,867	7,224	20,610	-	-	39,701
Total external revenues	203,014	84,403	39,529	-	-	326,946
Internal revenues	4,440	150	23,506	-	(28,096)	-
Total operating revenues	207,454	84,553	63,035	-	(28,096)	326,946
Operating expenses						
Costs of goods and services, exclusive of depreciation and amortization shown separately below	73,290	51,982	30,088	-	(25,617)	129,743
Selling, general and administrative, exclusive of depreciation and amortization shown below	33,171	19,521	6,009	13,148	(2,479)	69,370

Depreciation and amortization	31,111	23,148	11,224	407	-	65,890
Total operating expenses	137,572	94,651	47,321	13,555	(28,096)	265,003
Operating income (loss)	$69,882	$ (10,098)	$15,714	$ (13,555)	$ -	$ 61,943

F-30

Table of Contents
Year ended December 31, 2013
(In thousands)

	Wireless	Cable	Wireline	Other	Eliminations	Consolidated Totals
External revenues						
Service revenues	$182,955	$ 69,782	$20,244	-	-	$ 273,902
Other revenues	10,842	5,967	19,152	-	-	35,040
Total external revenues	193,797	75,749	39,396	-	-	308,942
Internal revenues	4,328	123	20,074	-	(24,525)	-
Total operating revenues	198,125	75,872	59,470	-	(24,525)	308,942
Operating expenses						
Costs of goods and services, exclusive of depreciation and amortization shown separately below	72,995	45,767	28,603	-	(22,225)	125,140
Selling, general and administrative, exclusive of depreciation and amortization shown below	32,812	19,052	5,344	12,765	(2,300)	67,673
Depreciation and amortization	28,177	21,202	11,308	35	-	60,722
Total operating expenses	133,984	86,021	45,255	12,800	(24,525)	253,535
Operating income (loss)	$64,141	$ (10,149)	$14,215	$ (12,800)	$ -	$ 55,407

A reconciliation of the total of the reportable segments' operating income to consolidated income from continuing operations before income taxes is as follows:

	Years Ended December 31,		
(In thousands)	2015	2014	2013
Total consolidated operating income	$74,086	$61,943	$55,407
Interest expense	(7,355)	(8,148)	(8,468)
Non-operating income, net	1,859	2,239	2,525
Income from continuing operations before income taxes	$68,590	$56,034	$49,464

The Company's assets by segment are as follows:
(In thousands)

	December 31, 2015	December 31, 2014
Wireless	$ 205,718	$ 218,887
Cable	209,132	201,232
Wireline	105,369	98,081
Other	464,979	446,028
Combined totals	985,198	964,228
Inter-segment eliminations	(356,458)	(344,986)
Consolidated totals	$ 628,740	$ 619,242

Table of Contents

Note 15. Quarterly Results (unaudited)

The following table shows selected quarterly results for the Company.
(in thousands except per share data)

For the year ended December 31, 2015	First	Second	Third	Fourth	Total
Operating revenues	$84,287	$85,701	$85,212	$87,285	$342,485
Operating income	18,526	18,750	15,089	21,721	74,086
Net income	10,286	10,474	7,996	12,108	40,864
Net income per share – basic	0.21	0.22	0.17	0.24	0.84
Net income per share – diluted	0.21	0.21	0.17	0.24	0.83

For the year ended December 31, 2014	First	Second	Third	Fourth	Total
Operating revenues	$80,452	$81,416	$82,268	$82,810	$326,946
Operating income	15,680	15,793	14,144	16,326	61,943
Net income	8,616	8,615	8,003	8,649	33,883
Net income per share - basic	0.18	0.18	0.16	0.18	0.70
Net income per share - diluted	0.18	0.18	0.16	0.18	0.70

Note 16. Subsequent Events

Pending Acquisition of nTelos

On August 10, 2015, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Gridiron Merger Sub, Inc., a wholly-owned subsidiary of the Company (“Merger Sub”), and NTELOS Holdings Corp. (“nTelos”), pursuant to which, subject to certain conditions, at the effective time of the Merger (as defined below), Merger Sub will merge with and into nTelos, with nTelos surviving the merger as the Company’s wholly-owned subsidiary (the “Merger”).

Under the terms of the Merger Agreement, which has been approved by the stockholders of nTelos and unanimously approved by the boards of directors of the Company and nTelos, at the effective time of the Merger, each share of common stock, par value $0.01 per share, of nTelos (“nTelos Common Stock”) issued and outstanding immediately prior to the effective time of the Merger (other than shares held by the Company, nTelos and any subsidiaries (which will be cancelled) and shares owned by stockholders who properly exercised and perfected a demand for appraisal rights under Delaware law), will be converted into the right to receive $9.25 in cash, without interest (the “Merger Consideration”). This results in a total equity value of nTelos of approximately $208 million, after including shares and other equity-based awards expected to vest on change of control. In accordance with the Merger Agreement, the Company will repay all existing indebtedness of nTelos as of the closing of the Merger, which was approximately $520 million as of December 31, 2015.

The completion of the Merger is subject to the satisfaction or waiver of certain conditions, including the approval of the transaction by the Federal Communications Commission and the consummation of the Sprint Transactions (as defined below). The Company expects the Merger to close at the end of the first quarter, or the early part of the second quarter, of 2016.

On February 26, 2016, the Company entered into a letter agreement with nTelos pursuant to which the parties agreed to extend the date after which either the Company or nTelos may terminate the Merger Agreement, from February 29, 2016 to June 28, 2016, as permitted by the Merger Agreement. While the parties believe that closing will occur at the end of the first quarter or early in the second quarter, the purpose of the extension is to allow the parties additional time to satisfy certain conditions in order to complete the Merger, which would not have been satisfied by the end of February 29, 2016.

Table of Contents

The Company expects to use a portion of the net proceeds from the Facilities (as defined in Note 4) to fund the Merger Consideration, refinance, in full, all indebtedness outstanding under the Company's existing credit agreement, repay all existing indebtedness of nTelos and pay fees and expenses in connection with the Merger.

Operating results for the year ended December 31, 2015 included transaction costs totaling $2.7 million and financing costs totaling $7.9 million related to the Merger. Transaction costs were recorded to general and administrative expenses and financing costs were recorded to deferred charges and other assets as deferred financing costs.

Pending Sprint Transactions

In connection with the execution of the Merger Agreement, on August 10, 2015, Shenandoah Personal Communications, LLC, a subsidiary of the Company, and SprintCom, Inc. ("SprintCom"), an affiliate of Sprint Corporation, entered into a Master Agreement (the "Master Agreement") and, along with certain affiliates of Sprint Corporation, entered into Addendum XVIII to the Sprint PCS Management Agreement (the "Affiliate Addendum"). The closing of the transactions contemplated by the Master Agreement and the effectiveness of certain provisions of the Affiliate Addendum (the "Sprint Transactions") will occur simultaneously with, and are conditioned upon, the consummation of the Merger. These transactions include transferring all acquired spectrum assets and customers to Sprint, immediately cancelling nTelos' wholesale services agreement with Sprint, expanding the Company's affiliate service territory to include virtually all of nTelos' western markets, transferring certain leases for Sprint's retail stores located in the expanded territory to us, and incorporating all of nTelos' and Sprint's customers in this expanded territory into the Company's wireless subscriber base.

Operating results for the year ended December 31, 2015 included transaction costs totaling $0.8 million related to the Sprint Transactions. Transaction costs were recorded to general and administrative expenses.

Table of Contents
Exhibits Index

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger, dated as of August 10, 2015, by and among Shenandoah Telecommunications Company, Gridiron Merger Sub, Inc. and NTELOS Holdings Corp., filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, dated August 11, 2015.
3.1	Amended and Restated Articles of Incorporation of Shenandoah Telecommunications Company filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ending June 30, 2007, as amended by the Articles of Amendment of Shenandoah Telecommunications Company filed as Exhibit 3.3 to the Company's Current Report on Form 8-K , filed January 5, 2016.
3.2	Amended and Restated Bylaws of Shenandoah Telecommunications Company, effective September 17, 2012, filed as Exhibit 3.3 to the Company's Current Report on Form 8-K dated September 18, 2012.
4.1	Rights Agreement, dated as of February 8, 2008 between the Company and American Stock Transfer & Trust Company filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated January 25, 2008.
4.2	Specimen representing the Common Stock, no par value, of Shenandoah Telecommunications Company, filed as Exhibit 4.3 to the Company's Report on Form 10-K for the year ended December 31, 2007.
10.1	Shenandoah Telecommunications Company Dividend Reinvestment Plan filed as Exhibit 4.4 to the Company's Registration Statement on Form S-3D (No. 333-74297).
10.2	Settlement Agreement and Mutual Release dated as of January 30, 2004 by and among Sprint Spectrum L.P., Sprint Communications Company L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P. and Shenandoah Personal Communications Company and Shenandoah Telecommunications Company, dated January 30, 2004; filed as Exhibit 10.3 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.3	Sprint PCS Management Agreement dated as of November 5, 1999 by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.4 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.4	Sprint PCS Services Agreement dated as of November 5, 1999 by and between Sprint Spectrum L.P. and Shenandoah Personal Communications Company filed as Exhibit 10.5 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.5	Sprint Trademark and Service Mark License Agreement dated as of November 5, 1999 by and between Sprint Communications Company, L.P. and Shenandoah Personal Communications Company filed as Exhibit 10.6 to the Company's Report on Form 10-K for the year ended December 31, 2003.

Table of Contents

10.6	Sprint Spectrum Trademark and Service Mark License Agreement dated as of November 5, 1999 by and between Sprint Spectrum L.P. and Shenandoah Personal Communications Company filed as Exhibit 10.7 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.7	Addendum I to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.8 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.8	Asset Purchase Agreement dated November 5, 1999 by and among Sprint Spectrum L.P., Sprint Spectrum Equipment Company, L. P., Sprint Spectrum Realty Company, L.P., and Shenandoah Personal Communications Company, serving as Exhibit A to Addendum I to the Sprint PCS Management Agreement and as Exhibit 2.6 to the Sprint PCS Management Agreement filed as Exhibit 10.9 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.9	Addendum II dated August 31, 2000 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.10 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.10	Addendum III dated September 26, 2001 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.11 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.11	Addendum IV dated May 22, 2003 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.12 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.12	Addendum V dated January 30, 2004 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.13 to the Company's Report on Form 10-K for the year ended December 31, 2003.
10.13	Supplemental Executive Retirement Plan as amended and restated, filed as Exhibit 10.14 to the Company's Current Report on Form 8-K dated March 23, 2007.
10.14	Addendum VI dated May 24, 2004 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., and Shenandoah Personal Communications Company filed as Exhibit 10.15 to the Company's Report on Form 10-Q for the quarterly period ended June 30, 2004.
10.15	Description of the Shenandoah Telecommunications Company Incentive Plan filed as Exhibit 10.25 to the Company's Current Report on Form 8-K dated January 21, 2005.
10.16	Description of Compensation of Non-Employee Directors. Filed as Exhibit 10.26 to the Company's Current Report on Form 8-K dated May 4, 2005.

Table of Contents

10.17	Description of Management Compensatory Plans and Arrangements. Filed as Exhibit 10.27 to the Company's current report on Form 8-K dated April 20, 2005.
10.18	2005 Stock Incentive Plan filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8 (No. 333-127342).
10.19	Form of Incentive Stock Option Agreement under the 2005 Stock Incentive Plan filed as Exhibit 10.29 to the Company's Report on Form 10-K for the year ended December 31, 2005.
10.20	Addendum VII dated March 13, 2007 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., Wireless Co., L.P., APC PCS, LLC, Phillieco, L.P., and Shenandoah Personal Communications Company, filed as Exhibit 10.31 to the Company's Report on Form 10-K for the year ended December 31, 2006.
10.21	Settlement Agreement and Mutual Release dated March 13, 2007 by and among Sprint Corporation, Sprint Spectrum L.P., Wireless Co., L.P., Sprint Communications Company L.P., APC PCS, LLC, Phillieco, L.P., and Shenandoah Personal Communications Company and Shenandoah Telecommunications, filed as Exhibit 10.32 to the Company's Report on Form 10-K for the year ended December 31, 2006.
10.22	Form of Performance Share Award to Executives filed as Exhibit 10.33 to the Company's Current Report on Form 8-K dated September 20, 2007.
10.23	Addendum VIII to the Sprint Management Agreement dated November 19, 2007, filed as Exhibit 10.36 to the Company's Current Report on Form 8-K dated November 20, 2007.
10.24	Asset Purchase Agreement dated August 6, 2008, between Rapid Communications, LLC, Rapid Acquisition Company, LLC, and Shentel Cable Company, filed as Exhibit 10.37 to the Company's Report on Form 10-Q for the period ended June 30, 2008.
10.25	Amendment Number 1 to the Asset Purchase Agreement dated August 6, 2008, between Rapid Communications, LLC, Rapid Acquisition Company, LLC, and Shentel Cable Company, filed as Exhibit 10.40 to the Company's Current Report on Form 8-K dated November 7, 2008.
10.26	Addendum IX to the Sprint Management Agreement dated as of April 14, 2009, and filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K dated March 8, 2010.
10.27	Asset Purchase Agreement dated as of April 16, 2010, between JetBroadband VA, LLC, Helicon Cable Communications, LLC, JetBroadband WV, LLC, JetBroadband Holdings, LLC, Helicon Cable Holdings, LLC, Shentel Cable Company and Shenandoah Telecommunications Company, filed as Exhibit 10.43 to the Company's Current Report on Form 8-K, dated April 16, 2010.
10.28	Addendum X dated March 15, 2010 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company, filed as Exhibit 10.44 to the Company's Current Report on Form 10-Q, dated May 7, 2010.

10.29	Addendum XI dated July 7, 2010 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company, filed as Exhibit 10.45 to the Company's Current Report on Form 8-K dated July 8, 2010.
10.30	Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.46 to the Company's Current Report on Form 8-K dated July 30, 2010.
10.31	Second Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.47 to the Company's Current Report on Form 8-K dated April 29, 2011.
10.32	Third Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.48 to the Company's Quarterly Report on Form 10-Q dated August 8, 2011.
10.33	Letter Agreement modifying section 10.2.7.2 of Addendum X dated March 15, 2010 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company, filed as Exhibit 10.49 to the Company's Quarterly Report on Form 10-Q dated August 8, 2011.
10.34	Fourth Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.50 to the Company's Quarterly Report on Form 10-Q dated August 8, 2011.
10.35	Addendum XII dated February 1, 2012 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company, filed as Exhibit 10.51 to the Company's Current Report on Form 8-K dated February 2, 2012.
10.36	Fifth Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.52 to the Company's Current Report on Form 8-K dated February 2, 2012.
10.37	Addendum XIII dated September 14, 2012 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.53 to the Company's Current Report on Form 8-K dated September 17, 2012.
10.38	Consent and Agreement dated September 14, 2012 related to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.54 to the Company's Current Report on Form 8-K dated September 17, 2012.

Table of Contents

10.39	Amended and Restated Credit Agreement dated as of September 14, 2012, among Shenandoah Telecommunications Company, CoBank, ACB, and other Lenders, filed as Exhibit 10.55 to the Company's Current Report on Form 8-K dated September 17, 2012.
10.40	Addendum XIV dated as of November 19, 2012, to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K dated March 5, 2013.
10.41	Addendum XV dated as of March 11, 2013, to Sprint PCS Management Agreement by and among Sprint Spectrum, L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal communications, LLC, filed as Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q dated May 3, 2013.
10.42	First Amendment dated January 30, 2014, to the Amended and Restated Credit Agreement among Shenandoah Telecommunications Company, CoBank, ACB, and other Lenders, filed as Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q dated May 2, 2014.
10.43	Joinder Agreement dated January 30, 2014, to the Amended and Restated Credit Agreement among Shenandoah Telecommunications Company, CoBank, ACB, and other Lenders, filed as Exhibit 10.44 to the Company's Quarterly Report on Form 10-Q dated May 2, 2014.
10.44	Addendum XVI dated as of December 9, 2013 to Sprint PCS Management Agreement by and among Sprint Spectrum, L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.45 to the Company's Quarterly Report on Form 10-Q dated May 2, 2014.
10.45	Addendum XVII dated as of April 11, 2014, to Sprint PCS Management Agreement by and among Sprint Spectrum, L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.46 to the Company's Quarterly Report on Form 10-Q dated May 2, 2014.
10.46	2014 Equity Incentive Plan filed as Appendix A to the Company's Definitive Proxy Statement filed on March 13, 2014 (No. 333-196990).
10.47	Master Agreement dated as of August 10, 2015, by and among SprintCom, Inc. and Shenandoah Personal Communications, LLC, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 11, 2015.
10.48	Addendum XVIII dated as of August 10, 2015, to Sprint PCS Management Agreement by and among SprintCom, Inc., PhillieCo, L.P., and Shenandoah Personal Communications, LLC, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, dated August 11, 2015.
10.49	Credit Agreement dated as of December 18, 2015, by and among Shenandoah Telecommunications Company, as Borrower, the guarantors party thereto from time to time, CoBank, ACB, as Administrative Agent, and various other agents and lenders named therein, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated December 24, 2015.
*21	List of Subsidiaries.

Table of Contents

*23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
*31.1	Certification of President and Chief Executive Officer of Shenandoah Telecommunications Company pursuant to Rule 13a-14(a)under the Securities Exchange Act of 1934.
*31.2	Certification of Vice President and Chief Financial Officer of Shenandoah Telecommunications Company pursuant to Rule 13a-14(a)under the Securities Exchange Act of 1934.
*32	Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350.
(101)	Formatted in XBRL (Extensible Business Reporting Language)

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.