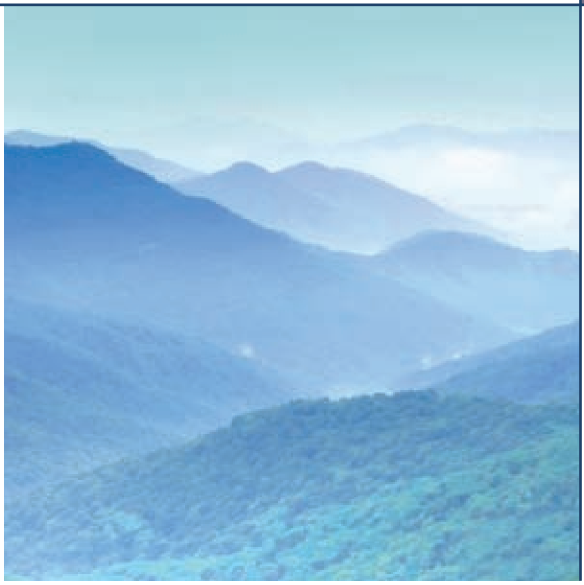
2008 ANNUAL REPORT
SHENANDOAH TELECOMMUNICATIONS COMPANY



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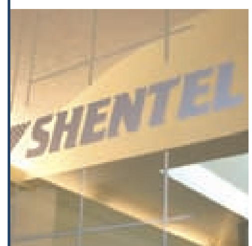


DEDICATED TO SERVING OUR CUSTOMERS WHEREVER THEY CALL HOME

FROM ITS EARLIEST DAYS as a rural telephone cooperative more than 100 years ago, Shentel has been dedicated to providing innovative communications solutions to its customers wherever they call home. Whether the home is a family farm along the winding North Fork of the Shenandoah River or a townhouse on West Philadelphia Street in York, PA, Shentel's ever-expanding network of services provide the connections vital to life in the 21st century.

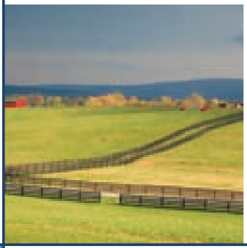
We are passionate about building great networks that provide excellent coverage. But we are equally focused on delivering a level of service that continually exceeds our customers' expectations through great customer service and new products and services. Our customers rely on us to deliver the right technology solutions regardless of the geographical challenges.

It is Shentel's combination of pioneer spirit and business savvy that has enabled us to grow from a small independent telephone company to a diversified telecommunications provider. Through economic storms and waves of consolidation, Shentel has not only survived, it has thrived and it is uniquely positioned to take on the future.

Our story continues to grow — one home at a time.


1000
2000
1500
500

TRAVERSING THE LANDSCAPE



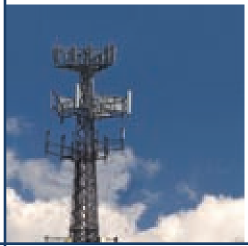
SHENTEL WAS FORGED in the earliest days of telecommunications, when our customers were loosely distributed over rough mountainous terrain and far-reaching valleys. Success in these conditions fostered the do-it-yourself attitude that continues to drive us forward. The dedication between Shentel and our early rural customers developed into a unique bond — one that continues today.

Today, we have expanded our reach from the neighbor next door to neighboring states. Shentel's Sprint PCS territory covers 2.3 million people and includes customers in an area stretching from Altoona, York and Harrisburg, PA, down Interstate 81 through western Maryland, the panhandle of West Virginia and into Harrisonburg, VA. With our recently acquired cable customers located in Alleghany County, VA and throughout West Virginia, Shentel is continuing to build its history of bringing new technology into rural areas, developing innovative communication neighborhoods, small towns and urban areas.

Shentel has always been a leader in telecommunications, from its pioneering affiliation with PCS to the array of broadband and wireless services we offer. At the end of the day, technology is a great leveler of the playing field — whether your field is on a Blue Ridge Mountain peak or the floor of the rolling Shenandoah Valley.


SHENTEL

EXCEEDING CUSTOMER EXPECTATION

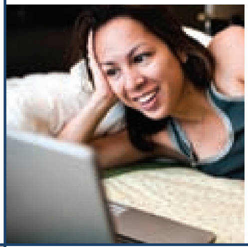


A PIONEER IN PERSONAL COMMUNICATIONS, Shentel continues to successfully build our PCS business as a Sprint PCS Affiliate of Sprint Nextel. Year-end 2008, retail PCS customers reached 211,462, an increase of 12.9%. In 2008, Shentel embarked on an aggressive two-year campaign to increase its network coverage by adding 65 new cell sites. Shentel recently completed another upgrade of the PCS network to offer broadband wireless data services using Code Division Multiple Access (CDMA) and Evolution-Data Optimized (EVDO) technology. EVDO is available to over 85% of the population covered by our PCS network. As this technology becomes more widely available nationally and as more applications are rolled out, strong growth in wireless data is expected for the foreseeable future.

Similar to PCS, Shentel's long-term view of investing in our network, providing great coverage, and delivering excellent service extends to our voice, Internet, and cable subscribers. Our DSL penetration rates in Shenandoah County now exceed 40% of access lines and we have experienced minimal access line losses as we continue to invest in fiber technologies and shortening loop lengths.

Once upgraded, we expect our Shentel Cable properties in Virginia and West Virginia to deliver the same industry-leading customer satisfaction ratings that have been a tradition in Shenandoah County for more than 100 years.

POSITIONED FOR OUR FUTURE



IN 2008, SHENTEL PURCHASED a group of franchised cable assets located in Virginia and West Virginia from Rapid Communications. Shentel quickly mobilized, from operations to customer service, and began implementing Shentel's "customer first" attitude for our newest customers located in familiar rural and mountainous localities. By year end 2009, we will continue exceeding customer expectations by providing expanded video options, High Definition channels, DVR service, Video on Demand, High Speed Internet and voice services to this new area. Community efforts also are planned extending our commitment of locally focused content currently provided on Shenandoah County Community Channel 3.

In total, $25 million has been committed to the upgrade that will ensure our network delivers unparalleled service and that we will also be ready to deliver new services as the cable industry continues to evolve.

Shentel's emphasis on franchised cable complements our focus on providing voice, video and data. We intend to build on our past successes and knowledge of smaller markets bringing state-of-the-art technology to areas that have been underserved for years. We will introduce these new customers to the Shentel pledge to keep our promises and make things happen — in the place they call home.

Christopher E. French
President

LETTER TO THE SHAREHOLDERS

MARCH 28, 2009

Dear Shareholder,

Providing quality service at reasonable prices has been our Company's objective for many decades and has always served us well. In these uncertain economic times, it becomes even more important to remain focused on this objective as we continually strive to meet the increasing demands of our growing customer base. Over the years, this focus has enabled us to continue our track record of profitable growth and to meet our customers' need for advanced, high quality telecommunication services. This focus also enabled our employees to remain employed in meaningful and challenging jobs, and has rewarded our shareholders with increased earnings and returns on their investment. Continuing to do all these things well is made much more difficult with the country's current recession, but we were able to successfully meet these challenges in 2008 and are well poised to weather the remainder of the recession and emerge as an even stronger company.

In spite of the recession, our financial results in 2008 were excellent. On a consolidated basis, our net income from continuing operations for the year was a record $26.3 million, up 18.5% from $22.2 million in 2007. On a fully diluted basis, earnings per share were $1.04 for 2008, an increase of 30.0% over 2007. The Company's operating revenues for 2008 were $144.4 million, compared to $130.4 million in 2007, an increase of $14.0 million or 10.7%. As a result of our strong performance in 2008, the Board of Directors increased the cash dividend to 30 cents per share, an increase of three cents or 11.1% over the cash dividend paid in 2007.

Despite our great overall financial results, we were disappointed we were unable to improve the financial performance of our Converged Services business and were not able to get it on a path to profitability. As a result, we reached a decision in September that we would explore a sale of this operation. With the decision to sell this business, accounting rules require us to classify its results as discontinued operations and to no longer recognize depreciation. Along with an increase in revenues of 14.7%, this accounting change helped improve Converged Services' operating loss from $3.4 million in 2007 to a loss of $1.9 million in 2008. We have engaged a third party to assist with the sale, and at this point potential buyers are actively participating in the sales process. We are encouraged by the level of interest we are receiving, but it is still too early to tell what will be the ultimate disposition of this business, the sale of which we hope will be concluded by mid-year 2009.

In addition to achieving excellent overall financial results, we completed a record amount of capital construction projects in 2008. Our spending on capital projects for the purchase and construction of plant and equipment was $65.6 million, an increase of $36.5 million from 2007. Our PCS network was the primary focus of this investment, as we spent and committed $46.4 million during the year to further improve our wireless services and stay ahead of the need for increased capacity. As our customer base continues to grow, we have further enhanced our coverage in the Quad States area and increased our coverage in our Pennsylvania markets. Significant expansion of EVDO (high speed wireless data) service was undertaken in 2008, and we have a goal of making it available to over 90% of our covered POPs by the end of 2009. To achieve this goal, we plan to add another 78 cell sites, primarily in Pennsylvania, and will upgrade 107 sites to EVDO capability. We expect to have a total of 489 sites by the end of 2009 with 318 of them being EVDO capable. Once the 2009 plan is complete, we expect future capital spending in PCS will be primarily driven by customer growth.

PCS once again made a significant contribution to our financial results. While providing 70% of our total revenues, PCS had operating income of $33.5 million, a 16.1% increase over the prior year. Despite a slowing of the rate of growth, we again increased our wireless customer base, adding 24,159 net new customers, an increase of 12.9% from the previous year-end. Churn of customers had reached 2.3 percent in the fourth quarter of 2007, and for 2008 it decreased to 1.9 percent in the fourth quarter.

In addition to our large PCS capital program, another significant investment made in 2008 was the acquisition of cable assets and customers in West Virginia and Alleghany County, Virginia from Rapid Communications. This $10.0 million acquisition was closed during the fourth quarter of the year, and at the end of the year had 17,127 video customers and 18,413 total revenue generating units (RGUs). Combined with our existing cable operations in Shenandoah County, Virginia, we had 25,369 video subscribers as of year-end. Efforts are well underway to consolidate and upgrade the acquired networks in order to offer a triple play of services and to operate the systems more efficiently. Our goal is to significantly expand the number of RGUs on these systems by offering high-speed data and voice services, in addition to expanded video offerings including high-definition service, digital video recorders and video on demand.

The large capital program and the cable acquisition required additional funding to supplement our internally generated cash, and in the fourth quarter we were able to close on a new $52 million debt facility with CoBank. Due to our strong balance sheet and operating results, the debt facility carries favorable terms which we were able to obtain despite the problems in the credit markets. This financing provides us the funds we need to continue to upgrade our existing networks and fund the Rapid acquisition, and also leaves us with capacity to take advantage of new opportunities.

Total access lines in our telephone subsidiary continued to decline, although the loss of 327 lines is significantly less than loss rates experienced by most of the local exchange industry. Growth in demand for our DSL service in Shenandoah County continued at a strong pace in 2008, and we ended the year with more than 10,000 DSL customers, or approximately 41.5% of access lines. This growth in DSL, and increased demand for higher speed service, has required additional investment in our local exchange network. To help fund this investment, the Company implemented, effective March 1, 2009, its first local service rate increase in more than thirty years. With the increase, our basic residential rate is now $8.70 per month, which is still significantly lower than rates in surrounding areas, if not in most of the country.

When our predecessor organization, Farmers Mutual Telephone System of Shenandoah County, needed capital to provide basic telephone service in the 1950's, funds from low cost loans were obtained from the federal government's Rural Electrification Administration, which is now part of the Rural Development agency of the Department of Agriculture. As part of its current economic stimulus efforts, the federal government has initiated various programs which may make funds available to help finance further enhancements and/or expansion of our broadband service offerings. We are closely monitoring the developing rules and procedures that will need to be followed for participation to determine if it makes sense to participate. We know the importance of broadband to the communities we serve, and to our future, so accelerating its deployment could be beneficial to both our Company and our communities.

With the uncertainty of the length or depth of the current recession, we are taking steps to be able to make any appropriate adjustments to our operating plans. We have re-prioritized all planned capital projects based on their payback time frames. Capital expenditures that will produce immediate savings in operating expenses are being given first priority, and conversely, projects planned to provide additional capacity are considered for postponement if lower projected growth rates are delaying when the extra capacity will be needed.

Many years ago, our Company began an effort to diversify away from its dependence on our local telephone subsidiary as the primary source of the Company's revenues and profits. With the success of our PCS efforts in recent years, we have accomplished this objective, while still maintaining our telephone subsidiary as a very strong performer. PCS now contributes over two-thirds of our operating revenue and almost three-quarters of our operating income. While we believe this business will continue to grow and contribute to our organization for many years, it would be prudent to diversify away from our dependence on it as we did years ago with diversifying away from dependence on our telephone subsidiary. One significant step towards this diversification was our purchase of the Rapid cable systems. As we work to integrate this acquisition, we are also searching to see if there are other acquisition opportunities where we can invest our capital and make significant improvements in service and financial results. We know that being cautious in this environment is prudent, but we also recognize there may be buying opportunities for strategic assets. With our very strong balance sheet, we have the capacity for additional acquisitions, similar to our Rapid deal, but we are only interested if they are a good fit and if prices are reasonable and offer a good potential return on our investment. Our objective is not to just become bigger, but rather it is to find opportunities that will enhance our ability to grow profitably.

Our Company's stock fluctuated in a large range during 2008. After finishing 2007 at $23.98 per share, the stock's lowest closing price during 2008 was $12.72 around the middle of the year. After this low, it climbed back to close the year at a new high of $28.05. On a stand-alone basis, the 17.0% increase in the share price during 2008 was very good, and in light of the significant decline in the overall stock market value, our stock's performance was outstanding. Unfortunately, since the end of 2008, our stock has started to follow the rest of the market down. Price declines during periods of uncertainty are something our shareholders have experienced before, most recently last year. Declines in housing values, increases in unemployment, and an overall decline in economic activity have made this a very trying time for all of our constituents.

Notwithstanding the large swings in our stock price during the year, longer term performance of our stock has been exceptional. Through the end of 2008, the total return to shareholders over the previous five-year period greatly exceeded the benchmark returns of both the NASDAQ National Market and the NASDAQ Telecommunications indices, as shown on the graph of these returns included in our Form 10-K. That graph shows that if $100 had been invested in Shentel stock on the last day of 2003 and all dividends had been reinvested in Shentel stock, the original $100 would have grown to $350 by the end of 2008, which is a 28.5% compounded annual rate of return. By comparison, an investment of $100 in either of the benchmarks would have resulted in less than $70 of value at the end of the same five-year period.

Our Board of Directors and our management team remain focused on creating long-term growth in our Company's earnings as we believe doing so will ultimately drive increases in the value of our stock, and therefore our shareholders' investment. Our company continues to grow profitably, and we are well positioned to not only weather the current economic conditions, but to emerge even stronger when our country returns to positive economic growth. While we cannot guarantee how our stock will perform in the future, we can commit to continually working for profitable growth by striving to deliver quality service to our customers. We appreciate your support as our Board of Directors and our management team work to increase the value of your investment.

For the Board of Directors,

Christopher E. French

Christopher E. French
President

EXECUTIVE OFFICERS & DIRECTORS

FRONT ROW

David Ferguson Vice President, Customer Services

Dexter Torculas Director, Engineering

Ann Flowers Vice President Legal, General Counsel

Adele Skolits Vice President Finance, CFO & Treasurer

MIDDLE ROW

Bill Sibert Director, Operations

Earle MacKenzie Executive Vice President & COO

Rich Baughman Director, Information Technology

Christopher E. French President & CEO

Marlene Willams Controller

BACK ROW

Ed McKay Director, Engineering & Planning

Chris Kyle Director, Marketing & Business Development

Dan Detamore-Hunsberger Director, Compliance

Brian Brooks Director, Sales

Willy Pirtle Vice President, Sales

Tom Whitaker Director, Operations

BOARD OF DIRECTORS

Douglas C. Arthur
Board Vice Chairman
Managing Partner
Arthur, Allamong & Brown

Ken L. Burch
Farmer

Tracy Fitzsimmons
President
Shenandoah University

John Flora
Shareholder
Lenhart Obenshain PC

Christopher E. French
Board Chairman
President & CEO
Shentel

Richard L. Koontz, Jr.
Vice President
Holtzman Oil Corp

Dale S. Lam
President
Strategent Financial, LLC

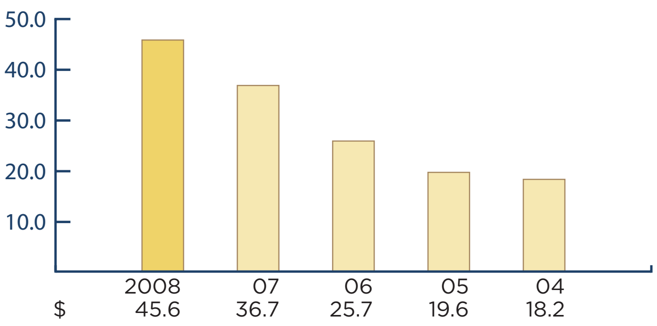
Jonelle St. John
Financial Systems Expert
and Consultant

James E. Zerkel II
Vice President
James E. Zerkel, Inc.

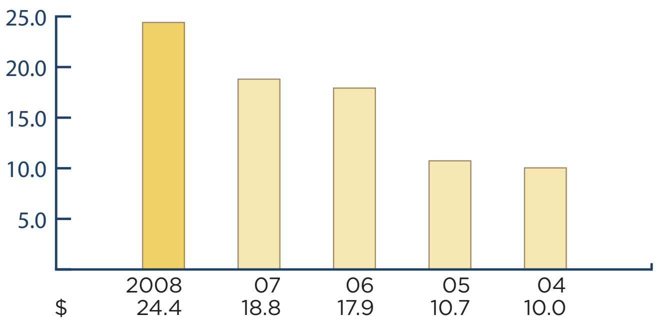
The following table shows selected operating statistics of the Company for the three months ending on, or as of, the dates shown:

	DECEMBER 31, 2008	DECEMBER 31, 2007	DECEMBER 31, 2006
Retail PCS Subscribers	211,462	187,303	153,503
PCS Market POPS (000)(1)	2,310	2,297	2,268
PCS Covered POPS (000)(1)	1,931	1,814	1,752
PCS Average Monthly Retail Churn %(2)	1.9%	2.3%	1.9%
CDMA Base Stations (sites)	411	346	332
EVDO-enabled sites	211	52	-
EVDO Covered POPS (000)	1,663	624	-
Telephone Access Lines	24,209	24,536	24,830
Total Switched Access Minutes (000)	90,460	92,331	80,587
Originating Switched Access Minutes (000)	25,425	26,128	23,995
Long Distance Subscribers	10,842	10,689	10,499
Long Distance Calls (000)(3)	7,981	7,944	7,235
Total Fiber Miles	46,733	35,872	33,764
Fiber Route Miles	756	647	625
Towers (100 foot and over)	103	101	100
Towers (under 100 foot)	15	14	13
Cable Television Subscribers(4)	25,369	8,303	8,440
DSL Subscribers	10,038	8,136	6,599
Dial-up Internet Subscribers	5,151	7,547	9,869
Employees (full time equivalents)	445	411	376

OPERATING INCOME
in millions



NET INCOME
in millions



1) POPS refers to the estimated population of a given geographic area and is based on information purchased by Sprint Nextel from Geographic Information Services. Market POPS are those within a market area which the Company is authorized to serve under its Sprint Nextel agreements, and Covered POPS are those covered by the network's service area.

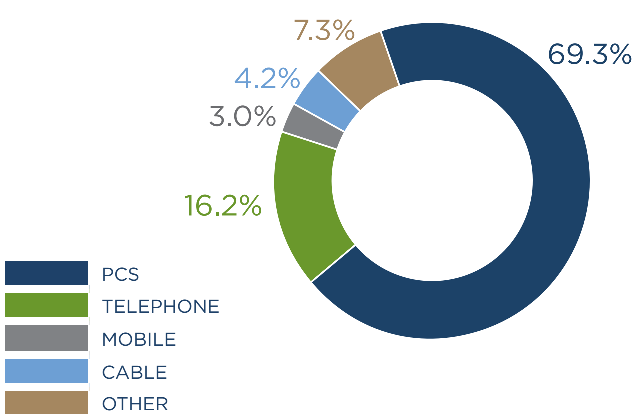
2) PCS Average Monthly Churn is the average of the three monthly subscriber turnover, or churn calculations for the period.

3) Originated by customers of the Company's Telephone subsidiary.

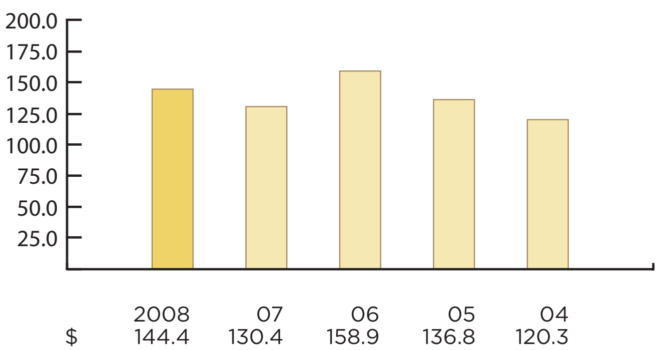
4) The increase at December 31, 2008 is primarily a result of the acquisition of cable customers from Rapid Communications, LLC, effective December 1, 2008.

	2008		2007		2006		2005		2004
FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA (in thousands, except share and per share data)									
Operating revenues	$	144,424	$	130,365	$	158,894	$	136,766	$ 120,258
Operating expenses		98,778		93,678		133,165		117,209	102,081
Operating income		45,646		36,687		25,729		19,557	18,177
Interest expense		1,009		1,873		2,362		3,076	3,129
Income taxes		17,669		15,112		14,190		6,693	5,982
Net income from continuing operations [(a)]	$	26,329	$	22,164	$	20,728	$	10,901	$ 10,142
Discontinued operations, net of tax [(b)]		(1,924)		(3,361)		(2,729)		(166)	(104)
Cumulative effect of a change in accounting, net of tax		-		-		(77)		-	-
Net income	$	24,405	$	18,803	$	17,922	$	10,735	$ 10,038
Total assets		265,981		221,524		207,720		204,921	211,421
Total debt — including current maturities		41,359		21,907		26,016		35,918	52,291
SHAREHOLDER INFORMATION:									
Shares outstanding		23,605,467		23,508,525		23,284,284		23,061,135	22,889,430
Income per share from continuing operations — diluted	$	1.12	$	0.94	$	0.89	$	0.47	$ 0.44
Loss per share from discontinued operations — diluted		(0.08)		(0.14)		(0.12)		(0.01)	-
Loss per share from cumulative effect of a change in accounting [(c)]		-		-		-		-	-
Net income per share — diluted		1.04		0.80		0.77		0.46	0.44
Cash dividends per share	$	0.30	$	0.27	$	0.25	$	0.15	$ 0.14

EXTERNAL REVENUE BY SEGMENT FOR 2008



REVENUE
in millions



All share and per share figures reflect the three for one stock split effected August 2, 2007.

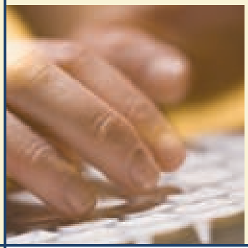
(a) The 2006 balance shown includes a gain of $6.4 million, net of tax, relating to the disposition of the RTB stock.

(b) 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 for all periods presented.

(c) The cumulative effect adjustment shown above for 2006 represents approximately ($0.003) per share.

(d) The decrease in operating revenues and expenses between 2006 and 2007 is due to changes in the settlement of travel and roaming revenues and expenses resulting from the 2007 Amendments to the Company's management and affiliation agreements with Sprint Nextel.

FINANCIAL SUMMARY



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, 2008, based on the framework and criteria established in *Internal Control — Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In conducting the evaluation of the effectiveness of the internal control over financial reporting, the Company did not include the internal controls of the acquired assets of Shentel Cable, Inc., which the Company acquired on December 1, 2008. The acquired assets and operations constituted approximately 4% of the total consolidated assets of the Company as of December 31, 2008 and accounted for less than 1% of total consolidated revenues and total consolidated net income of the Company for the year then ended.

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, 2008.

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 on page 18 of this Annual Report.

The Board of Directors and Shareholders
Shenandoah Telecommunications Company:

We have audited Shenandoah Telecommunications Company and subsidiaries' (the Company's) internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The 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. 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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In conducting the evaluation of the effectiveness of internal control over financial reporting, the Company did not include the internal controls of the acquired assets of Shentel Cable, Inc., which the Company acquired on December 1, 2008. The acquired assets and operations constituted approximately 4% of the total consolidated assets of the Company as of December 31, 2008 and accounted for less than 1% of total consolidated revenues and total consolidated net income of the Company for the year then ended. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting associated with the acquired assets of Shentel Cable, Inc.

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, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated March 9, 2009 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Richmond, Virginia
March 9, 2009

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, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008. 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, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, 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), the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control–Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 9, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting. In conducting the evaluation of the effectiveness of internal control over financial reporting, the Company did not include the internal controls of the acquired assets of Shentel Cable, Inc., which the Company acquired on December 1, 2008. The acquired assets and operations constituted approximately 4% of the total consolidated assets of the Company as of December 31, 2008 and accounted for less than 1% of total consolidated revenues and total consolidated net income of the Company for the year then ended. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting associated with the acquired assets of Shentel Cable, Inc.

KPMG LLP

Richmond, Virginia
March 9, 2009

SHENANDOAH TELECOMMUNICATIONS COMPANY & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007 (in thousands)

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	$ 5,240	$ 17,245
Accounts receivable, net	16,131	12,338
Vendor credits receivable	5,232	-
Income taxes receivable	7,366	3,762
Materials and supplies	6,376	4,664
Prepaid expenses and other	2,283	2,221
Assets held for sale	28,310	-
Deferred income taxes	1,483	906
Total current assets	**72,421**	**41,136**
INVESTMENTS		
Investments carried at fair value	1,440	2,602
Other investments	6,948	7,334
Total investments	**8,388**	**9,936**
PROPERTY, PLANT AND EQUIPMENT		
Plant in service	321,044	289,279
Plant under construction	5,076	11,343
	326,120	**300,622**
Less accumulated amortization and depreciation	150,499	145,198
Net property, plant and equipment	**175,621**	**155,424**
OTHER ASSETS		
Intangible assets, net	3,163	2,331
Cost in excess of net assets of businesses acquired	4,547	9,852
Deferred charges and other assets, net	1,841	2,845
Other assets, net	**9,551**	**15,028**
TOTAL ASSETS	**$ 265,981**	**$ 221,524**

(continued)

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007 (in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	2008	2007
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 4,399	$ 4,248
Accounts payable	5,607	6,073
Advanced billings and customer deposits	5,151	5,455
Accrued compensation	2,584	3,098
Liabilities held for sale	1,013	-
Accrued liabilities and other	5,631	5,182
Total current liabilities	**24,385**	**24,056**
Long-term debt, less current maturities	**36,960**	**17,659**
OTHER LONG-TERM LIABILITIES		
Deferred income taxes	30,401	22,475
Deferred lease payable	3,142	2,715
Other liabilities	3,485	5,000
Total other liabilities	**37,028**	**30,190**
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Common stock, no par value, authorized 48,000 shares; issued and outstanding 23,605 shares in 2008 and 23,509 shares in 2007	16,139	14,691
Retained earnings	154,002	136,667
Accumulated other comprehensive loss, net of tax	(2,533)	(1,739)
Total shareholders' equity	**167,608**	**149,619**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 265,981**	**$ 221,524**

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2008, 2007 and 2006 (in thousands, except per share amounts)

	2008	2007	2006
Operating revenues	**$ 144,424**	**$ 130,365**	**$ 158,894**
OPERATING EXPENSES:			
Cost of goods and services, exclusive of depreciation and amortization shown separately below	43,774	40,624	64,356
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	28,570	29,601	46,443
Depreciation and amortization	26,434	23,453	22,366
Total operating expense	**98,778**	**93,678**	**133,165**
Operating income	**45,646**	**36,687**	**25,729**
OTHER INCOME (EXPENSE)			
Interest expense	(1,009)	(1,873)	(2,362)
Gain (loss) on investments, net	(1,410)	839	10,644
Non-operating income, net	771	1,623	907
Income from continuing operations before income taxes	**43,998**	**37,276**	**34,918**
Income tax expense	17,669	15,112	14,190
Net income from continuing operations	**26,329**	**22,164**	**20,728**
DISCONTINUED OPERATIONS:			
Loss from operations of Converged Services, net of tax benefits of $1,152, $2,142 and $1,820, respectively	(1,924)	(3,361)	(2,729)
Net income before cumulative effect of a change in accounting principle	**24,405**	**18,803**	**17,999**
Cumulative effect of a change in accounting principle, net of income taxes	-	-	(77)
NET INCOME	**$ 24,405**	**$ 18,803**	**$ 17,922**
INCOME PER SHARE:			
BASIC AND DILUTED NET INCOME PER SHARE:			
Net income from continuing operations	$ 1.12	$ 0.94	$ 0.89
Loss from discontinued Converged Services operations, net of income taxes	(0.08)	(0.14)	(0.12)
Cumulative effect of a change in accounting, net of income taxes	-	-	-
	$ 1.04	**$ 0.80**	**$ 0.77**
Weighted average shares outstanding, basic	**23,543**	**23,365**	**23,157**
Weighted average shares outstanding, diluted	**23,609**	**23,497**	**23,331**

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME

Years Ended December 31, 2008, 2007 and 2006 (in thousands, except per share amounts)

	SHARES	COMMON STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balance, December 31, 2005 (as previously reported)	23,061	$ 8,128	$ 113,576	$ (104)	$ 121,600
Prior period adjustment (see Note 6)	-	-	(1,505)	-	(1,505)
Balance, December 31, 2005, restated	**23,061**	**8,128**	**112,071**	**(104)**	**120,095**
COMPREHENSIVE INCOME:					
Net income	-	-	17,922	-	17,922
SERP additional minimum pension liability	-	-	-	104	104
Net unrealized loss from pension plans, net of tax	-	-	-	(1,823)	(1,823)
Total comprehensive income					**16,203**
Dividends declared ($0.25 per share)	-	-	(5,808)	-	(5,808)
Dividends reinvested in common stock	31	474	-	-	474
Common stock repurchased from dividend reinvestment plan participants	-	(6)	-	-	(6)
Stock based compensation	-	94	-	-	94
Conversion of liability classified awards to equity classified awards	-	1,037	-	-	1,037
Common stock issued through exercise of incentive stock options	192	1,368	-	-	1,368
Net excess tax benefit from stock options exercised	-	227	-	-	227
Balance December 31, 2006, restated	**23,284**	**$ 11,322**	**$ 124,185**	**$ (1,823)**	**$ 133,684**
COMPREHENSIVE INCOME:					
Net income	-	-	18,803	-	18,803
Reclassification adjustment for unrealized loss from pension plans included in net income, net of tax	-	-	-	476	476
Net unrealized loss from pension plans, net of tax	-	-	-	(392)	(392)
Total comprehensive income					**18,887**
Dividends declared ($0.27 per share)	-	-	(6,321)	-	(6,321)
Dividends reinvested in common stock	23	518	-	-	518
Common stock repurchased	(26)	(636)	-	-	(636)
Stock based compensation	-	153	-	-	153
Common stock issued for share awards	98	2,075	-	-	2,075
Conversion of liability classified awards to equity classified awards	-	55	-	-	55
Common stock issued through exercise of incentive stock options	130	1,048	-	-	1,048
Net excess tax benefit from stock options exercised	-	156	-	-	156
Balance, December 31, 2007, restated	**23,509**	**$ 14,691**	**$ 136,667**	**$ (1,739)**	**$ 149,619**
COMPREHENSIVE INCOME:					
Net income	-	-	24,405	-	24,405
Reclassification adjustment for unrealized loss from pension plans included in net income, net of tax	-	-	-	137	137
Net unrealized loss from pension plans, net of tax	-	-	-	(931)	(931)
Total comprehensive income					**23,611**
Dividends declared ($0.30 per share)	-	-	(7,070)	-	(7,070)
Dividends reinvested in common stock	24	550	-	-	550
Stock based compensation	-	161	-	-	161
Conversion of liability classified awards to equity classified awards	-	65	-	-	65
Common stock issued through exercise of incentive stock options	72	597	-	-	597
Net excess tax benefit from stock options exercised	-	75	-	-	75
BALANCE DECEMBER 31, 2008	**23,605**	**$ 16,139**	**$ 154,002**	**$ (2,533)**	**$ 167,608**

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008, 2007 and 2006 (in thousands)

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 24,405	$ 18,803	$ 17,922
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	-	-	77
Depreciation	29,411	28,603	26,459
Amortization	491	595	831
Stock based compensation expense	174	2,321	350
Excess tax benefits on stock option exercises	(75)	(156)	(228)
Deferred income taxes	7,909	(1,208)	(1,693)
Loss on disposal of equipment	1,121	704	1,396
Unrealized loss on investments carried at fair value	722	90	-
Net (gain) loss on disposal of investments	94	-	(10,542)
Net (gain) loss from patronage and equity investments	570	(1,038)	(206)
Other	(4,037)	(1,195)	915
Changes in assets and liabilities, exclusive of acquired business:			
(Increase) decrease in:			
Accounts receivable	(3,773)	(727)	254
Materials and supplies	(1,662)	(2,165)	203
Increase (decrease) in:			
Accounts payable	(439)	(995)	436
Deferred lease payable	463	189	296
Other prepaids, deferrals and accruals	(5,300)	(78)	(2,120)
Net cash provided by operating activities	**$ 50,074**	**$ 43,743**	**$ 34,350**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase and construction of plant and equipment	$ (65,569)	$ (29,084)	$ (21,195)
Proceeds from sale of equipment	611	403	323
Cash paid to acquire business	(10,886)	-	-
Purchase of investment securities	(551)	**(2,872)**	(453)
Proceeds from investment activities	712	959	11,489
Net cash used in investing activities	**$ (75,683)**	**$ (30,594)**	**$ (9,836)**

(Continued)

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008, 2007 and 2006 (in thousands)

	2008	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term debt	$ (4,248)	$ (4,109)	$ (8,725)
Amounts borrowed under debt agreements	23,700	-	-
Payments on lines of credit	-	-	(1,177)
Dividends paid	(6,520)	(5,803)	(5,334)
Repurchase of stock	-	(636)	(6)
Excess tax benefits on stock option exercises	75	156	228
Proceeds from exercise of incentive stock options	597	1,048	1,368
Net cash provided by (used in) financing activities	**$ 13,604**	**$ (9,344)**	**$ (13,646)**
Net increase (decrease) in cash and cash equivalents	**$ (12,005)**	**$ 3,805**	**$ 10,868**
CASH AND CASH EQUIVALENTS:			
Beginning	17,245	13,440	2,572
ENDING	**$ 5,240**	**$ 17,245**	**$ 13,440**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash payments for:			
Interest, net of capitalized interest of $748 in 2008, $20 in 2007, and $19 in 2006	$ 938	$ 1,912	$ 2,362
Income taxes	$ 12,127	$ 17,782	$ 12,960

Vendor credits receivable of $5,232 at December 31, 2008 were earned from purchases of property, plant and equipment during 2008, and will be applied against purchases of property, plant and equipment in early 2009.

See accompanying 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 telephone service, wireless personal communications service ("PCS") under the Sprint brand name, cable television, unregulated communications equipment sales and services, Internet access, and paging services. In addition, the Company leases towers and operates and maintains an interstate fiber optic network. Pursuant to a management agreement with Sprint Nextel Communications Company and its related parties (collectively, "Sprint Nextel"), the Company is the exclusive Sprint PCS Affiliate providing wireless mobility communications network products and services on the 1900 megahertz spectrum range 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 Nextel radio spectrum license (See Note 7). The Company's other operations are located in the four-state region surrounding the Northern Shenandoah Valley of Virginia. The Company, through its subsidiary Shentel Converged Services, provides local and long distance voice, video, and Internet services on an exclusive and non-exclusive basis to multi-dwelling unit ("MDU") communities (primarily off-campus college student housing) throughout the southeastern United States including Virginia, North Carolina, Maryland, South Carolina, Georgia, Florida, Tennessee, Mississippi, Delaware and the District of Columbia. During September 2008, the Company announced its intention to sell its Converged Services operation, reclassified its assets and liabilities as held for sale, and now reports the Converged Services' operating results as discontinued operations (See Note 2). 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.

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, the fair value less cost to sell of the Converged Services assets held for sale at December 31, 2008, 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. The Company places its temporary cash investments with high credit quality financial institutions. At times, these investments may be in excess of FDIC insurance limits. Cash equivalents (comprised entirely of institutional cash management funds) were $3.9 million and $14.8 million at December 31, 2008 and 2007, respectively.

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 collectibility. 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. As of December 31, 2006, the Company's allowance for doubtful accounts included $0.5 million related to PCS. Due to the changes in the Sprint Nextel agreement described below, the Company reversed this balance during 2007. Changes in the allowance for doubtful accounts for trade accounts receivable for the years ended December 31, 2008, 2007 and 2006 are summarized below (in thousands):

	2008	2007	2006
Balance at beginning of year	$ 160	$ 583	$ 573
Bad debt expense	524	(439)	3,553
Losses charged to allowance	(700)	(148)	(3,753)
Recoveries added to allowance	143	164	210
BALANCE AT END OF YEAR	**$ 127**	**$ 160**	**$ 583**

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 stock 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. The Company adopted SFAS 159, "Fair Value Option for Financial Assets and Financial Liabilities" during 2007, and in accordance with its terms, elected to value these securities at market value and reflect unrealized gains and losses in earnings (rather than in equity as a component of other comprehensive income).

Other Investments:
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. 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, 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.

Materials and supplies: New and reusable materials are carried in inventory at the lower of average cost or market value. Inventory held for sale, such as telephones and accessories, are carried at the lower of average cost or market value. Non-reusable material is carried at estimated salvage value.

Property, plant and equipment: Property, plant and equipment is stated at cost. The Company capitalizes all costs associated with the purchase, deployment and installation of property, plant and equipment, including interest 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." Depreciation 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. During the years ended December 31, 2008, 2007 and 2006, the estimated useful lives of certain asset classes were decreased to reflect the remaining estimated economic useful lives of these assets and as a result, the Company recorded additional depreciation of $0.3 million, $0.5 million and $0.2 million, respectively, for the changes in estimated useful lives.

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.

Fair value: Financial instruments presented on the consolidated balance sheets that approximate fair value include: cash and cash equivalents, receivables, investments carried at fair value, payables, accrued liabilities, and variable rate long-term 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 result 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 where there is a legal obligation to remove the tower and restore the site to its original condition, as required by certain operating leases and applicable zoning ordinances of certain jurisdictions, at the time the Company discontinues its use. The obligation is estimated based on the size of the towers. The Company's cost to remove the tower is amortized over the life of the tower. Changes in the liability for asset removal obligations for the years ended December 31, 2008, 2007 and 2006 are summarized below (in thousands):

	2008	2007	2006
Balance at beginning of year	$ 1,216	$ 928	$ 374
Additional liabilities accrued	39	218	181
Estimate revisions accrued	-	-	317
Disposition of assets	-	-	(6)
Accretion expense	90	70	62
BALANCE AT END OF YEAR	$ 1,345	$ 1,216	$ 928

Cost in excess of net assets of businesses acquired (goodwill) and intangible assets: SFAS No.142, "Goodwill and Other Intangible Assets," eliminates amortization of goodwill and intangible assets that have indefinite useful lives and requires annual tests of impairment of those assets. SFAS No. 142 also provides specific guidance about how to determine and measure goodwill and intangible asset impairments, and requires additional disclosures of information about goodwill and other intangible assets. Goodwill is assessed annually, at November 30, for impairment and in interim periods if certain events occur indicating that the carrying value may be impaired. No impairment of goodwill was required to be recorded in the years ended December 31, 2008 or 2007. Goodwill is allocated to the reporting segment responsible for the acquisition that gave rise to the goodwill. The following table presents the goodwill balance allocated by segment and changes in the balances for the years ended December 31, 2008, 2007 and 2006 (in thousands):

	CATV SEGMENT	CONVERGED SERVICES SEGMENT	OTHER SEGMENT	TOTAL
Balance as of December 31, 2005	$ 3,313	$ 6,539	$ 251	$ 10,103
Impairment charge (1)	-	-	(251)	(251)
Balance as of December 31, 2006 and 2007	$ 3,313	$ 6,539	-	$ 9,852
Reclassification to assets held for sale (2)		(6,539)		(6,539)
Acquisition (3)	1,234	-	-	1,234
BALANCE AS OF DECEMBER 31, 2008	$ 4,547	$ -	$ -	$ 4,547

(1) During the fourth quarter of 2006, the Company recognized an impairment charge for the goodwill associated with the Shentel Wireless Segment when the Company terminated Shentel Wireless' operations and transferred its one remaining asset to Converged Services.

(2) See Note 2.

(3) Goodwill recorded for the acquisition of cable system assets from Rapid Communications, LLC (Note 14).

Intangible assets consist of the following at December 31, 2008 and 2007 (in thousands):

INTANGIBLE ASSETS SUBJECT TO AMORTIZATION	2008			2007		
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET
Business contracts	$ 203	$ (106)	$ 97	$ 2,739	$ (702)	$ 2,037
Acquired subscriber base	2,436	(34)	2,402	-	-	-
Non-compete agreement	-	-	-	898	(680)	218
Trade name	-	-	-	168	(103)	65
Other	-	-	-	28	(17)	11
	$ 2,639	**$ (140)**	**$ 2,499**	**$ 3,833**	**$ (1,502)**	**$ 2,331**
NON-AMORTIZING INTANGIBLE ASSETS:						
Cable franchise rights	664	-	664	-	-	-
	$ 3,303	**$ (140)**	**$ 3,163**	**$ 3,833**	**$ (1,502)**	**$ 2,331**

In addition to the above, assets held for sale at December 31, 2008 includes $1.9 million of intangible assets which are no longer subject to amortization while classified as held for sale.

For each of the years ended December 31, 2008, 2007 and 2006, amortization expense related to intangible assets was approximately $0.5 million. The 2006 amount included $0.1 million in impairment charges related to the termination of certain of Shentel Wireless' contracts.

Aggregate amortization expense for intangible assets for the periods shown will be as follows:

YEAR ENDING DECEMBER 31,	AMOUNT (in thousands)
2009	$ 633
2010	479
2011	362
2012	274
2013	207

Retirement plans: Prior to January 31, 2007, the Company maintained a noncontributory defined benefit plan covering substantially all employees. Pension benefits were based primarily on the employees' compensation and years of service. The Company's policy was to fund the maximum allowable contribution calculated under federal income tax regulations. Effective January 31, 2007, the Company has frozen benefits payable under this plan, and will settle accumulated benefits for participants and terminate the plan in accordance with Department of Labor and ERISA regulations and requirements.

The Company also maintains an Executive Supplemental Retirement Plan for selected employees. This is an unfunded plan and is maintained primarily for the purpose of providing additional retirement benefits for a select group of management employees. During 2007, this plan was amended from a defined benefit to a defined contribution plan. The Company created and funded a rabbi trust to hold assets equal to the liabilities under this plan.

The Company also 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. The Company may make matching and discretionary contributions to this plan.

None of the funded retirement plans directly holds Company stock in the plan's 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, 2008, a valuation allowance against certain deferred tax assets is necessary, as discussed in Note 6.

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 Nextel Management Agreement, wireless service revenues are reported net of the 8% Management Fee and, since its imposition effective January 1, 2007, the 8.8% Net Service Fee retained by Sprint Nextel, in accordance with EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." See Note 7 for additional information about the Management Fee and Net Service Fee.

Effective July 1, 2003, the Company adopted Emerging Issues Task Force ("EITF") No. 00-21, "Accounting for Revenue Arrangements with Multiple Element Deliverables." The EITF guidance addresses how to account for arrangements that may involve multiple revenue-generating activities, i.e., the delivery or performance of multiple products, services, and/or rights to use assets. In applying this guidance, separate contracts with the same party, entered into at or near the same time, will be presumed to be a bundled transaction, and the consideration will be measured and allocated to the separate units based on their relative fair values. The adoption of EITF 00-21 required evaluation of each arrangement entered into by the Company for each sales channel. The Company continues to monitor arrangements with its sales channels to determine if any changes in revenue recognition need to be made. The adoption of EITF 00-21 resulted in substantially all of the activation fee revenue being recognized at the time the related wireless handset is sold and classified as equipment revenue.

Nonrefundable Converged Services' activation fees are deferred and recognized ratably over the estimated life of the customer relationship in accordance with Staff Accounting Bulletin 104, ("SAB 104"), typically 12 months. The amount of deferred revenue was $0.2 million at both December 31, 2008 and 2007.

Converged Services also allows Internet service customers to prepay their annual contract. For a prepayment equal to 11 monthly payments, the customer receives 12 months of service. The Company defers such revenue amounts and amortizes them over the contract period. Deferred revenues were $0.3 million and $0.1 million at December 31, 2008 and 2007, respectively.

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. For the years ended December 31, 2008 and 2007, 58,241 and 66,806 contingently issuable performance shares, respectively, did not meet the test to be considered issuable for purposes of the earnings per share computation, and so were excluded. For the year ended December 31, 2006, all options were dilutive. There were no adjustments to net income in the computation of diluted earnings per share for any of the years presented. The Company issued a three for one stock split in August, 2007. All prior years' share and per share amounts have been restated to reflect the effect of this stock split.

The following tables show the computation of basic and diluted earnings per share for the years ended December 31, 2008, 2007 and 2006:

(in thousands, except per share amounts)	2008	2007	2006
BASIC INCOME PER SHARE			
Net income	$ 24,405	$ 18,803	$ 17,922
Weighted average shares outstanding	23,543	23,365	23,157
BASIC INCOME PER SHARE	**$ 1.04**	**$ 0.80**	**$ 0.77**
EFFECT OF STOCK OPTIONS OUTSTANDING:			
Weighted average shares outstanding	23,543	23,365	23,157
Assumed exercise, at the strike price at the beginning of year	248	306	510
Assumed repurchase of options under treasury stock method	(182)	(175)	(336)
Diluted weighted average shares	**23,609**	**23,497**	**23,331**
DILUTED INCOME PER SHARE	**$ 1.04**	**$ 0.80**	**$ 0.77**

Recently Issued Accounting Standards: In December 2007, the Financial Accounting Standards Board ("FASB") issued two statements, SFAS 141 (Revised 2007), Business Combinations ("SFAS 141 Revised"), and SFAS 160, Non-Controlling Interests in Consolidated Financial Statements — an Amendment of ARB No. 51 ("SFAS 160"). These two statements, which become effective January 1, 2009, change the accounting for transactions where one entity acquires all, or a substantial portion of, the ownership interests in another entity. SFAS 160 will also change the accounting for and presentation of those ownership interests not acquired in prior business combinations (formerly, minority interests). As the Company currently has no non-controlling interests subject to SFAS 160, and as SFAS 141 Revised does not change the accounting for any prior acquisitions, these statements have no impact upon the Company's historical financial statements.

In April 2008, the FASB issued a staff position, FSP 142-3, Determination of the Useful Life of Intangible Assets. This FSP is intended to improve consistency between the useful life of a recognized intangible asset under SFAS 142, Goodwill and Other Intangible Assets, and the period of expected cash flows used to measure the fair value of the asset under SFAS 141 Revised. This statement will become effective January 1, 2009. As the Company currently has relatively insignificant amounts of intangible assets, this statement is unlikely to have a material impact on the Company's financial statements or results of operations in the future.

NOTE 2. DISCONTINUED OPERATIONS

During September 2008, the Company announced its intention to sell its Converged Services operation, and the assets and liabilities related to this operation were reclassified as held for sale in the consolidated balance sheet. The historical operating results of the entity have been reclassified as discontinued operations for all periods presented, and depreciation and amortization on long-lived assets was discontinued. No impairment charges were taken at the time of the classification as held for sale or as of December 31, 2008. Converged Services does not include the Company's Converged Services of West Virginia subsidiary, which was established to provide fiber-to-the-home services and is currently largely inactive. Its operating results are included in the "Other" category in the Company's segment financial statements.

In accordance with accounting guidance, specifically EITF Issue No. 87-24, certain costs previously charged or allocated to the Converged Services segment cannot be allocated to discontinued operations. As a result, certain general corporate overhead costs, affiliated interest charges, and certain investment gains and losses have been excluded from the reported discontinued operations. These items have been reclassified to the "Other" category in the segment financial statements for all reported periods (see Note 15).

As of December 31, 2008, assets and liabilities held for sale consisted of the following (in thousands):

ASSETS:	
Property, plant and equipment, net	$ 15,414
Goodwill	6,539
Intangible assets, net	1,931
Deferred charges	3,384
Other assets	1,042
ASSETS HELD FOR SALE	**$ 28,310**
LIABILITIES:	
OTHER LIABILITIES	**$ 1,013**

Discontinued operations included the following amounts of operating revenue and loss before income taxes:

(in thousands)	YEARS ENDED DECEMBER 31,		
	2008	2007	2006
Operating revenues	$ 12,863	$ 11,214	$ 10,667
Loss before income taxes	$ (3,076)	$ (5,502)	$ (4,549)

NOTE 3. 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, 2008 and 2007, investments carried at fair value consisted of:

(in thousands)	2008	2007
Cash management trust	$ 178	$ 172
Taxable bond funds	128	207
Domestic equity funds	978	1,884
International equity funds	156	339
	$ 1,440	$ 2,602

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. During the years ended December 31, 2008 and 2007, the Company recorded unrealized losses of $722 thousand and $90 thousand, respectively. Sales of investments during 2008 resulted in the recognition of $94 thousand of realized losses, while no investments were sold during 2007. Fair values for these investments are determined by quoted market prices for the underlying mutual funds. Quoted market prices are Level 1 fair values as defined in FAS 157.

At December 31, 2008 and 2007, other investments, comprised of equity securities which do not have readily determinable fair values, consist of the following:

(in thousands)	2008	2007
COST METHOD:		
NECA Services, Inc.	$ 500	$ 500
CoBank	2,007	1,938
Other	158	125
	2,665	2,563
EQUITY METHOD:		
South Atlantic Private Equity Fund IV L.P.	117	160
Magnolia Holding Company, LLC	13	11
Dolphin Communications Parallel Fund, L.P.	324	325
Dolphin Communications Fund II, L.P.	1,862	2,151
Burton Partnership	1,680	1,809
Virginia Capital, LLC	58	60
Virginia Independent Telephone Alliance	182	208
ValleyNet	47	47
	4,283	4,771
TOTAL OTHER INVESTMENTS	$ 6,948	$ 7,334

The Company's investment in CoBank increased $69 thousand and $121 thousand in the years ended December 31, 2008 and 2007, 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, 2008, the Company received distributions from its equity investments totaling $155 thousand in cash and securities, and invested $422 thousand in three equity investments, Dolphin Communications Parallel Fund, LP, Dolphin Communications Fund II, LP and Valleynet. These three investments recorded a net loss of approximately $636 thousand in the year ended December 31, 2008. Other equity investments had a net loss of $119 thousand in the year ended December 31, 2008.

As of December 31, 2008, the Company is committed to invest an additional $0.3 million in various equity method investees pursuant to capital calls from the fund managers.

The Company's ownership interests in Virginia Independent Telephone Alliance and ValleyNet at December 31, 2008 were approximately 22% and 20%, respectively, which is consistent with the Company's ownership interests at December 31, 2007. The Company purchases services from Virginia Independent Telephone Alliance and ValleyNet at rates comparable to those charged to other customers. Other equity method investees are investment limited partnerships, in each of which the Company had an ownership interest of less than 4% at December 31, 2008.

NOTE 4. PLANT IN SERVICE

Plant in service consists of the following at December 31, 2008 and 2007:

(in thousands)	ESTIMATED USEFUL LIVES	2008	2007
Land		$ 1,418	$ 1,161
Buildings and structures	15–40 years	49,333	46,777
Cable and wire	15–40 years	68,749	61,914
Equipment and software	3–16.6 years	201,544	179,427
		$ 321,044	$ 289,279

NOTE 5. LONG-TERM DEBT AND REVOLVING LINES OF CREDIT

Total debt consists of the following at December 31, 2008 and 2007:

(in thousands)	WEIGHTED AVERAGE INTEREST RATE		2008	2007
CoBank (term loan)	Fixed	7.58%	$ 17,459	$ 21,707
CoBank (delayed draw term loan)	Variable	2.87%	23,700	-
RUS Development Loan	Interest free		200	200
			$ 41,359	$ 21,907
Current maturities			4,399	4,248
TOTAL LONG-TERM DEBT			$ 36,960	$ 17,659

The CoBank term loan requires monthly payments of approximately $350 thousand plus interest. The final maturity of the CoBank term loan is in 2013. The CoBank term loan is secured by a pledge of the stock of the Company's subsidiaries. The outstanding balance of the

CoBank term loan at December 31, 2008 is $17.5 million, which is at fixed rates ranging from approximately 6.67% to 8.05%.

On November 30, 2004, the Company amended the terms of its Master Loan Agreement with CoBank to provide for a $15 million revolving reducing credit facility. Under the terms of the amended credit facility, the Company can borrow up to $10.2 million as of December 31, 2008. The revolving credit facility has a 12 year term with quarterly payments and reductions in the amount available. Borrowings under the facility have an adjustable rate that can be converted to a fixed rate at the Company's option. There were no outstanding balances on this facility at December 31, 2008 or 2007.

On October 22, 2008, the Company amended the terms of its Master Loan Agreement with CoBank to provide for a $52 million delayed draw term loan. Availability under this facility may be drawn by the Company through December 31, 2009. At that time, quarterly repayments equal to 1/24th of the balance at December 31, 2009 will commence March 31, 2010 and continue through December 31, 2015. Draws under this facility bear interest at a variable rate set by CoBank that resets weekly. The Company has other options under which it may set interest rates on this debt, including the option to fix the rate on up to five separate tranches of the outstanding balance.

The stated rates shown above exclude patronage credits that are received from CoBank. These patronage credits are a distribution of profits of CoBank, which is a cooperative required to distribute its profits to its members. During both the first quarters of 2008 and 2007, the Company received patronage credits of approximately 100 basis points on its outstanding CoBank debt balance. The Company accrued 100 basis points in the year ended December 31, 2008, in anticipation of the early 2009 distribution of the credits by CoBank. The CoBank loans are secured by a pledge of the stock of all of the subsidiaries of the Company. The Company also pays a commitment fee of 25 basis points per annum on the unused available balances under these facilities. This fee is paid quarterly in arrears.

The Company is required to meet financial covenants for the CoBank debt measured at the end of each quarter, based on a trailing 12-month basis and calculated on continuing operations. The Company was in compliance with all covenants at December 31, 2008.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2008 are as follows:

YEAR	AMOUNT (in thousands)
2009	$ 4,399
2010	8,511
2011	7,925
2012	6,598
2013	5,826
Later years	8,100
	$ 41,359

The estimated fair value of fixed rate debt instruments as of December 31, 2008 and 2007 was $17.8 million and $22.5 million, respectively, determined by discounting the future cash flows of each instrument at rates offered for similar debt instruments of comparable maturities as of the respective year-end dates. The estimated fair value of the variable rate debt is assumed to approximate its carrying value.

NOTE 6. INCOME TAXES

During the fourth quarter of 2008, the Company determined that deferred tax liabilities relating to property, plant and equipment were understated by $1.5 million. This difference was found to be an error in years preceding 1995. Accordingly, the Company has corrected this error by recording a prior period adjustment which decreased beginning retained earnings at December 31, 2005. In the accompanying consolidated balance sheet as of December 31, 2007, deferred tax liabilities have been increased by $1.5 million and retained earnings have been decreased by $1.5 million. The correction of this error had no impact on the accompanying consolidated statements of income or consolidated statements of cash flows for the years ended December 31, 2008, 2007 or 2006.

Total income taxes for the years ended December 31, 2008, 2007 and 2006 were allocated as follows:

(in thousands)	2008	2007	2006
Income tax expense on continuing operations	$ 17,669	$ 15,112	$ 14,190
Income tax benefit on discontinued operations	(1,152)	(2,142)	(1,820)
Income tax from cumulative effect of an accounting change	-	-	(48)
Shareholders' equity, for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(75)	(156)	(227)
Accumulated other comprehensive income for unrecognized actuarial losses on pensions	(561)	54	(1,157)
	$ 15,881	**$12,868**	**$ 10,938**

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:

YEAR ENDED DECEMBER 31, (in thousands)	2008	2007	2006
CURRENT EXPENSE			
Federal taxes	$ 7,766	$ 13,389	$ 13,467
State taxes	2,941	2,477	2,191
Total current provision	**10,707**	**15,866**	**15,658**
DEFERRED EXPENSE (BENEFIT)			
Federal taxes	6,488	(1,475)	(1,879)
State taxes	474	721	411
Total deferred provision (benefit)	**6,962**	**(754)**	**(1,468)**
INCOME TAX EXPENSE ON CONTINUING OPERATIONS	**$ 17,669**	**$ 15,112**	**$ 14,190**

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, 2008, 2007 and 2006:

YEAR ENDED DECEMBER 31, (in thousands)	2008	2007	2006
Computed "expected" tax expense (35%)	$ 15,399	$ 13,046	$ 12,221
State income taxes, net of federal tax effect	2,220	2,079	1,691
Other, net	50	(13)	278
INCOME TAX EXPENSE ON CONTINUING OPERATIONS	**$ 17,669**	**$ 15,112**	**$ 14,190**

Net deferred tax assets and liabilities consist of the following at December 31, 2008 and 2007:

(in thousands)	2008	2007
DEFERRED TAX ASSETS:		
State net operating loss carry forwards, net of federal tax	$ 752	$ 809
Lease obligations	1,210	1,029
Deferred revenues	255	106
Accrued pension/ERO costs	1,602	1,396
Loss on investments, net	329	-
Accrued compensation costs	121	83
Inventory reserves	281	62
Asset retirement obligations	171	135
Other, net	154	115
Total gross deferred tax assets	**4,875**	**3,735**
Less valuation allowance	(221)	-
Net deferred tax assets	**4,654**	**3,735**
DEFERRED TAX LIABILITIES:		
Plant-in-service	33,204	24,968
Deferred activation charges	368	294
Gain on investments, net	-	42
Total gross deferred tax liabilities	**33,572**	**25,304**
NET DEFERRED TAX LIABILITIES	**$ 28,918**	**$ 21,569**

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 believed it more likely than not that the state net operating loss carryforwards from its Converged Services segment will not be realized. Accordingly, a $221 thousand valuation allowance was recorded at December 31, 2008, and the effect of the valuation allowance was recorded in income from continuing operations. The Company has generated net operating loss carryforwards of approximately $14.5 million from its operations in several states. These carryforwards expire at varying dates beginning in the year 2019 and ending in 2028.

In 2008, the state of West Virginia enacted changes in its income tax rates effective for tax years beginning on or after January 1, 2009. As a result of this enacted legislation, the Company recorded a deferred tax benefit of $78 thousand.

As of January 1, 2007, December 31, 2007, and December 31, 2008, the Company had no unrecognized tax benefits. Accordingly, there would be no effective tax rate impact from recognition of previously unrecognized tax benefits. The December 31, 2008 and 2007 consolidated balance sheets include no amounts for interest or penalties related to unrecognized tax benefits, and no such amounts were recognized as components of income tax expense. 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 2005 are no longer subject to examination. No state or federal income tax audits were in process as of December 31, 2008.

NOTE 7. SIGNIFICANT CONTRACTUAL RELATIONSHIP

In 1999, the Company executed a Management Agreement (the "Agreement") with Sprint Nextel whereby the Company committed to construct and operate a PCS network using CDMA air interface technology. Under the Agreement, the Company is the exclusive PCS Affiliate of Sprint Nextel 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 the Sprint Nextel radio spectrum license. As an exclusive PCS Affiliate of Sprint Nextel, the Company has the exclusive right to build, own and maintain its portion of Sprint Nextel's nationwide PCS network, in the aforementioned areas, to Sprint Nextel's specifications. The initial term of the Agreement is for 20 years and is automatically renewable for three 10-year options, unless terminated by either party under provisions outlined in the Agreement.

Under the Sprint Nextel agreements, Sprint Nextel 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 Nextel brand names, national advertising, national distribution and product development. In addition, prior to 2007, the Company derived substantial travel revenue and incurred substantial travel expenses when Sprint Nextel and Sprint Nextel's PCS Affiliate partners' subscribers incurred minutes of use in the Company's territory and when the Company's subscribers incurred minutes of use in Sprint Nextel and Sprint Nextel's PCS Affiliate partners' territories. These transactions were recorded as travel revenue, travel cost, cost of equipment and selling and marketing expense in the Company's consolidated statements of income. Cost of service related to access to the nationwide network, including travel transactions and long distance expenses, were recorded in cost of goods sold. The costs of services such as billing, collections and customer service were included in selling, general and administrative costs. Cost of equipment transactions between the Company and Sprint Nextel 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 Nextel for sales of handsets through Sprint Nextel's national distribution programs.

Prior to 2007, the Company received and paid travel fees for inter-market usage of the network by Sprint Nextel wireless subscribers not homed in a market in which they may use the service. Sprint Nextel and its PCS Affiliates paid the Company for the use of its network by their wireless subscribers, while the Company paid Sprint Nextel and its PCS Affiliates reciprocal fees for Company subscribers using other segments of the network not operated by the Company.

Sprint Nextel provides back-office and other services including travel clearing-house functions, to the Company. For periods before January 1, 2004, there was no prescribed formula defined in the agreements with Sprint Nextel for the calculation of the fee charged to the Company for these services. Sprint Nextel adjusted these fees at least annually. This situation first changed with the execution of an amendment to the Agreement which occurred on January 31, 2004, retroactive to January 1, 2004 (the "2004 Amendment"). By simplifying the formulas used and fixing certain fees, the 2004 Amendment provided greater certainty to the Company for certain expenses and revenues through December 31, 2006, and simplified the methods used to settle revenue and expenses between the Company and Sprint Nextel.

On March 13, 2007, the Company's PCS Subsidiary and Sprint Nextel entered into a series of agreements, the principal operating effects of which were to:

- Amend, as of January 1, 2007, the Agreement to simplify the methods used to settle revenue and expenses between the Company and Sprint Nextel;

- Transfer, effective in May 2007, 13 Sprint Nextel operated Nextel store locations within the Company's PCS service area to the Company's PCS Subsidiary. The Company, as an agent, now sells Sprint Nextel iDEN (Integrated Digital Enhanced Network) phones and provides local customer service support for Sprint Nextel iDEN customers in the Company's service area.

As a result of the amendments to the existing management and affiliation agreements with Sprint Nextel (the "2007 Amendments"), the basis upon which the Company and Sprint Nextel settle revenue and expenses, including travel and roaming, and upon which the Company compensates Sprint Nextel for support services, such as customer service, billing, collections, long distance, national network operations support, inventory logistics support, use of the Sprint Nextel brand names, national advertising, national distribution and product development, has been simplified. As a result of the amendments, the Company and Sprint Nextel will no longer settle such amounts; nor will the Company pay Sprint Nextel a fee per subscriber or a fee for each new subscriber added.

In lieu of such fees and the settling of revenues and expenses for use on each other's networks, the Company pays Sprint Nextel a Net Service Fee equal to 8.8% of billed revenue (net of customer credits, account write-offs and other billing adjustments). This 8.8% Net Service Fee is in addition to the 8% of billed revenue (net of customer credits, account write-offs and other billing adjustments) retained by Sprint Nextel under the previous management agreement. The Net Service Fee was designed to approximate the then-current settlements adjusted to reflect new pricing for travel and CCPU (cash cost per user) and CPGA (cost per gross activation). The Net Service Fee was also net of the expected annual cost to provide local customer service support to Sprint Nextel iDEN customers in our local service area.

The 8.8% rate for the Net Service Fee can only be changed under certain circumstances. Until June 30, 2010, the Net Service Fee can only be changed if changes in travel patterns and wholesale usage, or the amounts necessary for Sprint Nextel to recover costs for providing services to Manager, results in the Net Service Fee (calculated using the same methods employed in setting the original rate) moving by more than two full percentage points higher to 10.8% or more, or lower to 6.8% or less. After June 30, 2010, on an annual basis either party can request a change only if such change results in the Net Service Fee moving by more than one full percentage point higher or lower than the Net Service Fee then in effect. The Net Service fee is capped at 12.0%, unless the Company's use of services under the Services Agreement is disproportionately greater than the use of the services in similar Sprint PCS markets, in which case the parties will negotiate an alternative arrangement.

The Company's PCS subsidiary is dependent upon Sprint Nextel's ability to execute certain functions such as billing, customer care, collections and other operating activities under the Company's agreements with Sprint Nextel. Due to the high degree of integration within many of the Sprint Nextel 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 Nextel 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.

The Sprint Nextel agreements require the Company to maintain certain minimum network performance standards and to meet other performance requirements. The Company was in compliance in all material respects with these requirements as of December 31, 2008.

NOTE 8. 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 $3.8 million, $3.5 million and $3.7 million in the years ended December 31, 2008, 2007 and 2006, respectively. At December 31, 2008 and 2007, the Company had accounts receivable from ValleyNet of approximately $0.3 million. The Company's PCS operating subsidiary leases capacity through ValleyNet fiber facilities. Payment for usage of these facilities was $1.3 million, $1.3 million and $1.0 million in the years ended December 31, 2008, 2007 and 2006, respectively.

NOTE 9. RETIREMENT PLANS

The Company maintains a noncontributory defined benefit pension plan and a separate defined contribution 401(k) plan. On November 30, 2006, the Company announced its intention to offer early retirement benefits for certain employees (up to five years of additional age and service for those employees 50 years of age and older with 10 or more years of service); to freeze the defined benefit pension plan as of January 31, 2007; and subsequently, to settle benefits earned under the plan and terminate the plan. Settlement and termination are expected to be finalized during 2009, subject to receipt of a favorable tax determination letter from the IRS. The Company reflected the effects of freezing the plan during 2006, and recognized costs of the special termination benefits in 2006 for those seven employees who elected to accept the early retirement offer as of December 31, 2006. The Company recognized additional special termination benefits during 2007 as 25 additional employees elected to accept the early retirement offer.

The following table presents the defined benefit plan's funded status and amounts recognized in the Company's consolidated financial statements.

(in thousands)	2008	2007
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation, beginning	$ 11,381	$ 14,139
Interest cost	512	588
Actuarial loss	1,149	640
Benefits paid	(645)	(5,579)
Special termination benefits	-	1,313
Change in plan provisions	-	280
Benefit obligation, ending	**12,397**	**11,381**
CHANGE IN PLAN ASSETS:		
Fair value of plan assets, beginning	8,957	13,762
Actual return on plan assets	35	774
Benefits paid	(645)	(5,579)
Contributions made	1,800	-
Fair value of plan assets, ending	**10,147**	**8,957**
Funded status	(2,250)	(2,424)
Unrecognized net loss	3,438	1,771
ACCRUED BENEFIT COST	**$ (1,188)**	**$ (653)**
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS:		
Accrued liabilities and other	(2,250)	(2,424)
Accumulated other comprehensive income	3,438	1,771
NET AMOUNT RECOGNIZED	**$ (1,188)**	**$ (653)**

(in thousands)	2008	2007	2006
COMPONENTS OF NET PERIODIC BENEFIT COSTS:			
Service cost	$ -	$ -	$ 953
Interest cost	512	588	876
Expected return on plan assets	(579)	(775)	(940)
Amortization of prior service costs	-	-	337
Amortization of net loss	26	570	109
Change in plan provisions	-	280	-
Curtailment gain	-	-	(1,791)
Special termination benefits	-	1,313	369
Net periodic benefit cost	**$ (41)**	**$ 1,976**	**$ (87)**
OTHER CHANGES IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN OTHER COMPREHENSIVE INCOME:			
Amortization of net loss	(26)	(570)	
Net loss for the period	1,693	640	
TOTAL RECOGNIZED IN NET PERIODIC BENEFIT COST AND OTHER COMPREHENSIVE INCOME	**$ 1,626**	**$ 2,046**	

The Company recognized $560,000 of amortization of net loss in 2007 in connection with lump-sum payments disbursed by the qualified retirement plan to settle pension benefits with 31 of the 32 early retirement acceptees. The Company expects to recognize the $3.4 million of unrecognized loss, recorded in accumulated other comprehensive loss as of December 31, 2008, as the qualified pension plan makes settlement disbursements to all other participants during 2009.

The accumulated benefit obligation for the qualified retirement plan was $12.4 million and $11.4 million at December 31, 2008 and 2007, respectively.

Weighted average assumptions used by the Company in the determination of benefit obligations at December 31, 2008, 2007 and 2006 were as follows:

	2008	2007	2006
Discount rate	4.00%	4.52%	5.00%
Rate of increase in compensation levels	-%	-%	4.50%

Weighted average assumptions used by the Company in the determination of net pension cost for the years ended December 31, 2008, 2007, and 2006 were as follows:

	2008	2007	2006
Discount rate	4.52%	5.00%	5.50%
Rate of increase in compensation level	-%	-%	4.50%
Expected long-term rate of return on plan assets	6.50%	6.50%	7.50%

The Company's pension plan asset allocations based on market value at December 31, 2008 and 2007, by asset category were as follows:

	2008	2007
ASSET CATEGORY:		
Equity securities	6%	17%
Debt securities	64%	83%
Cash and cash equivalents	30%	-%
	100%	**100%**

Investment Policy

The investment policy of the Company's Pension Plan has historically been for assets to be invested in a manner consistent with the fiduciary standards of the Employee Retirement Income Security Act of 1974, as amended. As a result of the Company's decision in 2006 to freeze, settle and terminate the plan, the Company has increased the liquidity of the pension plan assets to accommodate the expected distribution of accrued benefits to participants.

Contributions

The Company expects to contribute approximately $2.3 million to the plan, and anticipates distributing approximately $12.4 million to participants, during 2009, subject to the receipt of approval from the IRS to terminate the plan. The Company contributed $1.8 million and $1.0 million to the plan during the years ended December 31, 2008 and 2006. No contribution was made during 2007.

The Company's matching (and beginning in 2007, employer discretionary) contributions to the defined contribution 401(k) plan were approximately $1.6 million, $1.1 million and $370 thousand for the years ended December 31, 2008, 2007 and 2006, respectively. The increase in expense for 2007 primarily reflects the employer discretionary contributions (up to 5% in the aggregate on qualified pay) in place of pension benefits following the freeze of the pension plan described above.

In May 2003, the Company adopted an unfunded nonqualified Supplemental Executive Retirement Plan (the "SERP") for named executives. The plan was established to provide retirement benefits in addition to those provided under the Retirement Plan that covers all employees. In conjunction with the changes in the qualified defined benefit pension plan at the end of 2006 as described above, the SERP was amended effective January 1, 2007 from a defined benefit plan to a defined contribution plan. Benefits were recalculated as of January 1, 2007, reflecting changes in benefits under the SERP from the change in the defined benefit plan; benefits so calculated became the opening participant balances of the defined contribution plan. The amended plan is noncontributory; the Company will credit each participant's account with a contribution of 7% of compensation (generally, base pay plus incentive pay), and 5% of a participant's compensation in excess of IRS or ERISA limitations on compensation under the 401(k) plan.

The Company contributed $129,000 and $120,000 to the participants' accounts under the SERP during 2008 and 2007, respectively. At December 31, 2008 and 2007, the total liability due to participants in the SERP was $1.4 million and $2.6 million, respectively.

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. The Company contributed the participants' opening balances, and subsequent Company contributions based on compensation, to the trust. 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.

NOTE 10. STOCK INCENTIVE PLANS

The Company maintains two shareholder-approved Company Stock Incentive Plans providing for the grant of equity based incentive compensation to essentially all employees. The 1995 Plan authorized grants of up to 1,440,000 shares of common stock over a ten-year period beginning in 1996. The term of the 1995 Plan expired in February of 2006. The 2005 Plan authorizes grants of up to 1,440,000 shares over a ten-year period beginning in 2005. Under both 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. Prior to 2007, most awards were granted in the form of options to acquire stock as described more fully below; during 2007, both options to acquire stock and stock awards were granted. Details about the stock grants follow the discussion of the Company's stock option grants.

The Company completed a three for one stock split in August 2007. All prior years' numbers of options and option prices per share have been adjusted to reflect the impact of the split.

Option Awards

The option price for all grants has been the current market price at the time of the grant. Grants have generally provided that one-half of the options vest and become exercisable on each of the first and second anniversaries of the grant date, with the options expiring on the fifth anniversary of the grant date. In the year ended December 31, 2003, the Company also issued a grant pursuant to which the options are vested over a five-year period beginning on the third anniversary of the grant date. The participant may exercise 20% of the total grant after each anniversary date from the third through the seventh year, with the options expiring on the tenth anniversary of the grant date. In the years ended December 31, 2005 and 2004, the Company also made grants pursuant to which the options would have vested over a four-year period beginning on the third anniversary of the grant date; all of these grants were cancelled during 2006 due to the grantees' termination of employment.

In 2004, the Company also issued tandem awards of stock options and stock appreciation rights ("SARs"). Because the employee had the choice of receiving cash or shares of stock, this plan resulted in the Company recording a liability, which was adjusted each period to reflect the vested portion of the intrinsic value of the award. If employees subsequently chose to receive shares of stock rather than cash, the liability was settled by issuing stock. During 2005, the Company issued tandem awards of stock options and SARs with a net-share settlement feature. Due to the net-share settlement feature, the Company accounted for these awards as SARs and recognized compensation expense over the vesting period to the extent the current stock price exceeded the exercise price of the options.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123, "Share-Based Payment (Revised 2004)" ("SFAS 123(R)") using the modified prospective application transition method, which establishes accounting for stock-based awards exchanged for employee services. Accordingly, for equity classified awards, stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized over the requisite service period. For those tandem awards of stock options and SARs which are liability classified awards, fair value is calculated at the grant date and each subsequent reporting date during both the requisite service period and each subsequent period until settlement. For both the 2004 and 2005 SARs grants, the adoption of SFAS 123(R) resulted in a change in the measurement of compensation expense from an intrinsic method to a fair value method.

Effective July 1, 2006, certain holders of 2004 SARs voluntarily relinquished their right to receive cash from the Company upon exercise. The fair value of these awards calculated as of the date of modification was transferred from liability to equity. Subsequently, certain holders of 2004 SARS who did not relinquish their right to receive cash elected, upon exercise, to take shares instead of cash. For such exercises, the fair value of the exercised options was transferred from liability to equity.

During 2007 and 2008, the Company granted stock options to recently hired officers. These grants consist of both incentive and non-qualified stock options, vest 25% annually on the third, fourth, fifth and sixth anniversaries of the grant date, and have a maximum seven year life.

The impact of initially applying SFAS 123(R) was recognized as of the effective date using the modified prospective method. Under the modified prospective method the Company recognized stock-based compensation expense from January 1, 2006, as if the fair value based accounting method had been used to account for all outstanding unvested employee awards granted in prior years. Results of prior periods have not been restated.

For outstanding options previously classified as a liability and which continue to be classified as a liability under SFAS 123(R), the Company recognized the effect of initially re-measuring the liability from its intrinsic value to its fair value as a cumulative effect of a change in accounting principle. The cumulative effect was $77 thousand, net of taxes.

The fair value of each grant was estimated at the grant date using a Black-Scholes option-pricing model with the following weighted average assumptions:

	2008	2007	2006
Dividend rate	1.09%	1.41%	1.02%
Risk-free interest rate	2.32%	4.24%	4.88%
Expected lives of options	5 years	5 years	2.7 years
Price volatility	40.14%	42.03%	39.06%

For 2006, the assumptions were used to calculate the fair value of the options classified as a liability. The fair value of options classified as a liability is calculated at the grant date and each subsequent reporting date until the options are settled. As of December 31, 2008, 2007 and 2006, 5,392, 10,656 and 15,534 options, respectively, were classified as liability-type options. For 2008 and 2007, the assumptions shown were used to calculate the fair value of the options granted to recently-hired officers; for the remaining liability-type options, change in fair value over the year was essentially equal to the change in the stock price, as the remaining term of these options (three months as of December 31, 2008, and 15 months as of December 31, 2007) and its interaction with the other assumptions used in the option pricing model had little impact on the determination of fair value.

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.

As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those awards expected to vest. Compensation cost recognized in 2008, 2007 and 2006 totaled $67 thousand, $207 thousand and $350 thousand, respectively, and the income tax benefit for option-based compensation arrangements recognized in 2008, 2007 and 2006 was $7 thousand, $110 thousand and $105 thousand, respectively.

A summary of outstanding options at December 31, 2008, 2007 and 2006 and changes during the years ended on those dates is as follows:

	OPTIONS	WEIGHTED AVERAGE GRANT PRICE PER OPTION	FAIR VALUE PER OPTION
Outstanding December 31, 2005	**722,589**	**$ 8.24**	
Granted	-	-	n/a
Cancelled	(153,450)	9.41	
Exercised	(201,177)	7.14	
Outstanding December 31, 2006	**367,962**	**$ 8.36**	
Granted	60,000	20.50	7.77
Cancelled	(1,773)	3.37	
Exercised	(129,648)	3.31	
Outstanding December 31, 2007	**296,541**	**$ 10.97**	
Granted	30,000	22.76	7.90
Cancelled	(30,000)	20.50	
Exercised	(71,616)	8.08	
OUTSTANDING DECEMBER 31, 2008	**224,925**	**$ 12.20**	

There were options for 224,925 shares outstanding at December 31, 2008 at a weighted average exercise price of $12.20 per share, an aggregate intrinsic value of $1.3 million and a weighted-average remaining contractual life of 3.3 years. There were options for 140,925 shares exercisable at December 31, 2008 at a weighted average exercise price of $9.01 per share, an aggregate intrinsic value of $1.3 million and a weighted-average remaining contractual life of 1.9 years. The aggregate intrinsic value represents the total pretax intrinsic value, based on the Company's average closing stock price of $18.08 during the year ended December 31, 2008.

During 2008, the total fair value of options vested was $45 thousand; the total intrinsic value of options exercised was $0.8 million; and no options-based liabilities were paid. During 2008, the total cash received as a result of employee stock option exercises was $0.6 million, and the actual tax benefit realized for the tax deductions was $27 thousand.

As of December 31, 2008, the total compensation cost related to nonvested options not yet recognized is $0.3 million which will be recognized over a weighted-average period of 5 years.

Stock Awards

During 2007, the Company made two grants of shares under the 2005 Plan. In September 2007, the Company granted 68,130 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 23,404 performance shares ("management shares"); all other employees in the aggregate were granted 44,726 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 ($20.50 per share) plus $1.64 for each year since the grant date. Except for normal retirement, shares will vest only if the target price is achieved and the recipient has remained employed through the anniversary date that the target price is achieved on. Employee shares can vest at the fourth or fifth anniversary of the grant date on otherwise similar terms.

Due to the market condition of achieving a target stock price in order to vest, the Company determined the grant date fair value of the performance shares, as well as the expected term of the awards, using a Monte Carlo simulation. The following assumptions were used in deriving the grant date fair value and expected term:

	MANAGEMENT SHARES	EMPLOYEE SHARES
ASSUMPTIONS:		
Dividend rate	1.5%	1.5%
Risk free rate	4.44%	4.38%
Annual price volatility	34%	34%
DERIVED VALUES:		
Fair value per share	$13.20	$12.20
Expected term (years)	5.81	5.38

The Company has estimated expected forfeitures of 40% for management shares and 35% for employee shares. Through December 31, 2007, 1,324 employee shares were forfeited due to employees' termination of employment, and an additional 6,573 employee shares and 1,992 management shares were forfeited during the year ended December 31, 2008.

In December 2007, the Company made grants of fully vested shares to 26 management employees. The Company granted 97,730 shares, of which half were unrestricted and half carry a two year restriction on disposition of the shares. The unrestricted shares were valued at the market price of the Company's common stock on the date of grant ($23.59 per share); the Company determined that the value of the restricted shares was 20% less than the grant date market price, or $18.87 per share. The valuation utilized a Black-Scholes option pricing model methodology, utilizing a risk free rate of 3.1%, dividend yield of 1.5%, price volatility of 40%, and the two year restriction period as the term. Both restricted and unrestricted shares provide for full dividend and voting rights. Employees surrendered 26,076 of the unrestricted shares to pay withholding taxes due.

Compensation cost recognized in 2007 for all share awards totaled $2.1 million, and the income tax benefit recognized was $910 thousand; during 2008, the Company recognized $0.1 million in compensation cost for shares awarded during 2007, and the income tax benefit for share-based compensation arrangements recognized in 2008 was $39 thousand.

NOTE 11. MAJOR CUSTOMER

The Company has one major customer relationship that is a significant source of revenue. Approximately 69% of total operating revenues for the year ended December 31, 2008, 67% of total operating revenues for the year ended December 31, 2007, and 73% of total operating revenues for the year ended December 31, 2006 were generated by or through Sprint Nextel and its customers using the Company's portion of Sprint Nextel's nationwide PCS network. No other customer relationship generated more than 2.5% of the Company's total operating revenues for the years ended December 31, 2008, 2007 or 2006.

NOTE 12. SHAREHOLDER RIGHTS PLAN

Effective as of February 8, 2008, the Board of Directors adopted a new Shareholder Rights 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 $40 one half a share of the Company's common stock (or, in certain circumstances, $80 worth of cash, property or other securities of the Company for $40). 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 both Shareholder Rights Plans, such a person or group would not be entitled to the benefits of the rights. The new Shareholder Rights Plan provides that the Board of Directors may redeem the outstanding rights at any time for $.001 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 new Shareholder Rights 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 Shareholder Rights Plan should be modified or the Rights should be redeemed.

NOTE 13. LEASE COMMITMENTS

The Company leases land, buildings and tower space under various non-cancelable agreements, which expire between the years 2009 and 2050 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, 2008 are as follows:

YEAR ENDING	AMOUNT (in thousands)
2009	$ 7,530
2010	6,812
2011	5,953
2012	4,769
2013	4,335
2014 and beyond	25,197
	$ 54,596

The Company's total rent expense was $7.6 million, $6.5 million, and $5.9 million for the years ended December 31, 2008, 2007 and 2006, 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, 2008 are as follows:

YEAR ENDING	AMOUNT (in thousands)
2009	$ 3,580
2010	3,211
2011	1,803
2012	968
2013	348
2014 and beyond	175
	$ 10,085

The Company's total rent income was $10.1 million, $9.5 million, and $9.3 million for the years ended December 31, 2008, 2007 and 2006, respectively.

NOTE 14. ACQUISITION

Rapid Communications

In August 2008, the Company entered into an asset purchase agreement with Rapid Communications, LLC, to acquire certain cable assets passing approximately 44,000 homes and serving approximately 17,000 homes in Virginia and West Virginia. On November 4, 2008, pursuant to an amendment in the agreement, the Company agreed to purchase these assets for $10 million. Effective December 1, 2008, the Company completed the acquisition and established Shentel Cable, a wholly-owned subsidiary of the Company, from the former Rapid Communications cable systems. The results of Shentel Cable's operations have been included in the consolidated financial statements since its acquisition. The Company plans to significantly upgrade these cable systems over the near term in order to offer customers in this region expanded services (including HDTV, Video on Demand, high-speed internet and voice services), all under the newly-created Shentel Cable brand.

The Company accounted for the acquisition using the purchase method in accordance with SFAS No. 141, Business Combinations. The net assets acquired were recorded at their estimated fair values. The major classes of assets and liabilities acquired were as follows:

Trade accounts receivable	$ 890
Property, plant and equipment	6,418
Intangible assets	3,110
Goodwill	1,234
Other assets	156
Total assets	**$ 11,808**
Current liabilities	$ 147
Deferred revenue	775
Total liabilities	**$ 922**
NET ASSETS ACQUIRED	**$ 10,886**

The Company is unable to provide pro forma disclosure of operating results as if this acquisition had been completed on January 1, 2008, as the Company acquired only a portion of a business segment from Rapid Communications, LLC, and financial statements for our acquired portion are not available.

NOTE 15. SEGMENT REPORTING

SFAS Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments. 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 makers. The Company has five reportable segments, which the Company operates and manages as strategic business units organized geographically and by lines of business: (1) PCS, (2) Telephone, (3) Mobile, (4) Cable TV and (5) Other.

The PCS segment, as a Sprint PCS Affiliate, provides digital wireless service to a portion of a four-state area covering the region from Harrisburg, York and Altoona, Pennsylvania, to Harrisonburg, Virginia.

The Telephone segment provides both regulated and unregulated telephone services and leases fiber optic facilities primarily throughout the Northern Shenandoah Valley.

The Mobile segment provides tower rental space to affiliates and non-affiliates in the Company's PCS markets and paging services throughout the northern Shenandoah Valley.

The Cable TV segment provides cable television services under various franchise agreements within the incorporated areas of Shenandoah County, Virginia, as well as in the unincorporated areas of Shenandoah County. Effective December 1, 2008, it also provides cable television service under various franchise agreements (acquired from Rapid Communications LLC) within various communities located in West Virginia and near Covington, Virginia.

Other includes Shenandoah Telecommunications Inc., ShenTel Service Company, Shenandoah Network Company, Shenandoah Long Distance Company, ShenTel Communications Company, Shentel Wireless Company and Converged Services of West Virginia.

Income (loss) recognized from equity method nonaffiliated investees by subsidiary is as follows:

(in thousands)	HOLDING	TELEPHONE	CONSOLIDATED TOTALS
YEAR			
2008	$ (759)	$ 10	$ (749)
2007	840	93	933
2006	(65)	164	99

Selected financial data for each segment is as follows:

YEAR ENDED DECEMBER 31, 2008 (in thousands)	PCS	TELEPHONE	MOBILE	CABLE TV	OTHER	ELIMINATIONS	CONSOLIDATED TOTALS
EXTERNAL REVENUES							
Service revenues	$ 92,149	$ 6,097	$ -	$ 5,592	$ 6,984	$ -	$ 110,822
Access charges	-	9,954	-	-	-	-	9,954
Facilities and tower lease	-	4,052	4,074	-	2,346	-	10,472
Equipment	5,214	23	-	56	602	-	5,895
Other	2,788	3,172	250	453	618	-	7,281
Total external revenues	**$ 100,151**	**$ 23,298**	**$ 4,324**	**$ 6,101**	**$ 10,550**	**$ -**	**$ 144,424**
Internal revenues	-	7,374	2,410	32	4,132	(13,948)	-
Total operating revenues	**$ 100,151**	**$ 30,672**	**$ 6,734**	**$ 6,133**	**$ 14,682**	**$ (13,948)**	**$ 144,424**
OPERATING EXPENSES							
Costs of goods and services, exclusive of depreciation and amortization shown separately below	33,536	6,847	2,199	4,205	9,141	(12,154)	43,774
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	16,811	4,701	812	1,594	6,446	(1,794)	28,570
Depreciation and amortization	16,330	6,594	884	1,250	1,376	-	26,434
Total operating expenses	**$ 66,677**	**$ 18,142**	**$ 3,895**	**$ 7,049**	**$ 16,963**	**$ (13,948)**	**$ 98,778**
Operating income (loss)	**$ 33,474**	**$ 12,530**	**$ 2,839**	**$ (916)**	**$ (2,281)**	**$ -**	**$ 45,646**
Non-operating income (expense)	213	47	50	(37)	1,474	(2,386)	(639)
Interest (expense)	(40)	(40)	(342)	(256)	(2,717)	2,386	(1,009)
Income taxes	(13,815)	(4,758)	(1,036)	462	1,478	-	(17,669)
NET INCOME (LOSS) FROM CONTINUING OPS	**$ 19,832**	**$ 7,779**	**$ 1,511**	**$ (747)**	**$ (2,046)**	**$ -**	**$ 26,329**
Total assets	**$ 104,777**	**$ 54,021**	**$ 15,453**	**$ 18,894**	**$ 187,880**	**$ (115,044)**	**$ 265,981**

Note: Converged Services' assets are included in the Other segment total assets in all tables shown.

YEAR ENDED DECEMBER 31, 2007 (in thousands)	PCS	TELEPHONE	MOBILE	CABLE TV	OTHER	ELIMINATIONS	CONSOLIDATED TOTALS
EXTERNAL REVENUES							
Service revenues	$ 80,054	$ 6,259	$ -	$ 4,573	$ 6,882	$ -	$ 97,768
Access charges	-	10,765	-	-	-	-	10,765
Travel/roaming revenue	45	-	-	-	-	-	45
Facilities and tower lease	-	3,940	3,704	-	2,049	-	9,693
Equipment	5,015	28	-	33	313	-	5,389
Other	2,193	3,187	243	420	662	-	6,705
Total external revenues	**$ 87,307**	**$ 24,179**	**$ 3,947**	**$ 5,026**	**$ 9,906**	**$ -**	**$ 130,365**
Internal revenues	-	6,356	2,216	32	3,680	(12,284)	-
Total operating revenues	**$ 87,307**	**$ 30,535**	**$ 6,163**	**$ 5,058**	**$ 13,586**	**$ (12,284)**	**$ 130,365**
OPERATING EXPENSES							
Costs of goods and services, exclusive of depreciation and amortization shown separately below	28,150	7,753	1,867	4,161	9,249	(10,556)	40,624
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	15,226	6,258	762	1,659	7,424	(1,728)	29,601
Depreciation and amortization	15,107	5,217	923	1,050	1,156	-	23,453
Total operating expenses	**$ 58,483**	**$ 19,228**	**$ 3,552**	**$ 6,870**	**$ 17,829**	**$ (12,284)**	**$ 93,678**
Operating income (loss)	**$ 28,824**	**$ 11,307**	**$ 2,611**	**$ (1,812)**	**$ (4,243)**	**$ -**	**$ 36,687**
Non-operating income (expense)	650	723	5	-	3,907	(2,823)	2,462
Interest (expense)	(221)	(4)	(388)	(273)	(3,810)	2,823	(1,873)
Income taxes	(12,296)	(4,402)	(964)	826	1,724	-	(15,112)
NET INCOME (LOSS) FROM CONTINUING OPS	**$ 16,957**	**$ 7,624**	**$ 1,264**	**$ (1,259)**	**$ (2,422)**	**$ -**	**$ 22,164**
Total assets	**$ 78,278**	**$ 55,364**	**$ 15,617**	**$ 7,903**	**$ 178,239**	**$ (113,877)**	**$ 221,524**

YEAR ENDED DECEMBER 31, 2006 (in thousands)	PCS	TELEPHONE	MOBILE	CABLE TV	OTHER	ELIMINATIONS	CONSOLIDATED TOTALS
EXTERNAL REVENUES							
Service revenues	$ 75,509	$ 6,440	$ -	$ 4,611	$ 6,609	$ -	$ 93,169
Access charges	-	11,319	-	-	-	-	11,319
Travel/roaming revenue	34,048	-	-	-	-	-	34,048
Facilities and tower lease	-	4,157	3,412	-	1,899	-	9,468
Equipment	4,210	28	-	48	534	-	4,820
Other	1,688	3,099	183	306	794	-	6,070
Total external revenues	**$ 115,455**	**$ 25,043**	**$ 3,595**	**$ 4,965**	**$ 9,836**	**$ -**	**$ 158,894**
Internal revenues	-	5,427	1,656	32	2,557	(9,672)	-
Total operating revenues	**$ 115,455**	**$ 30,470**	**$ 5,251**	**$ 4,997**	**$ 12,393**	**$ (9,672)**	**$ 158,894**
OPERATING EXPENSES							
Costs of goods and services, exclusive of depreciation and amortization shown separately below	52,511	6,868	1,595	3,241	8,496	(8,355)	64,356
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	32,958	4,491	687	1,200	8,424	(1,317)	46,443
Depreciation and amortization	14,326	4,755	878	1,104	1,303	-	22,366
Total operating expenses	**$ 99,795**	**$ 16,114**	**$ 3,160**	**$ 5,545**	**$ 18,223**	**$ (9,672)**	**$ 133,165**
Operating income (loss)	**$ 15,660**	**$ 14,356**	**$ 2,091**	**$ (548)**	**$ (5,830)**	**$ -**	**$ 25,729**
Non-operating income (expense)	262	11,144	11	25	3,618	(3,509)	11,551
Interest (expense)	(1,250)	(180)	(392)	(287)	(3,762)	3,509	(2,362)
Income taxes	(5,908)	(10,005)	(661)	197	2,187	-	(14,190)
Cumulative effect of a change in accounting, net of tax	(11)	(27)	(1)	(7)	(31)	-	(77)
NET INCOME (LOSS) FROM CONTINUING OPS	**$ 8,753**	**$ 15,288**	**$ 1,048**	**$ (620)**	**$ (3,818)**	**$ -**	**$ 20,651**
Total assets	**$ 78,637**	**$ 62,619**	**$ 15,758**	**$ 8,205**	**$ 185,254**	**$ (142,753)**	**$ 207,720**

NOTE 16. QUARTERLY RESULTS (UNAUDITED)

The following table shows selected quarterly results for the Company.

(in thousands except per share data)	FIRST	SECOND	THIRD	FOURTH	TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2008					
Operating revenues	$ 33,587	$ 36,308	$ 37,409	$ 37,120	$ 144,424
Operating income	9,597	13,687	12,597	9,765	45,646
Net income from continuing operations	5,465	8,070	7,442	5,352	26,329
Net income	4,792	7,250	6,807	5,556	24,405
Net income from continuing operations per share – basic and diluted	$ 0.23	$ 0.34	$ 0.32	$ 0.23	$ 1.12
Net income per share — basic and diluted	0.20	0.31	0.29	0.24	1.04
FOR THE YEAR ENDED DECEMBER 31, 2007					
Operating revenues	$ 30,455	$ 32,644	$ 32,656	$ 34,610	$ 130,365
Operating income	8,242	11,244	9,723	7,478	36,687
Net income from continuing operations	4,788	6,909	6,024	4,443	22,164
Net income	4,071	5,947	5,107	3,678	18,803
Net income from continuing operations per share — basic and diluted	$ 0.20	$ 0.29	$ 0.26	$ 0.19	$ 0.94
Net income per share — basic and diluted	0.17	0.25	0.22	0.16	0.80

NOTE 17. GAIN ON SALE OF RTB STOCK

During 2005, the board of directors of the Rural Telephone Bank ("RTB") adopted a number of resolutions for the purpose of dissolving the RTB as of October 1, 2005. During 2006, the Company received $11.3 million in proceeds, and recognized a gain of approximately $6.4 million, net of tax, related to the dissolution of the RTB and the redemption of the stock. During 2007, the Company received a final distribution of $0.1 million from the RTB.

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-Recent Developments" 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 local exchange telephone services and wireless personal communications services (as a Sprint PCS affiliate), as well as cable television, video, Internet and data services, long distance, sale of telecommunications equipment, fiber optics facilities, and leased tower facilities. The Company has the following five reporting segments, which it operates and manages as strategic business units organized geographically and by line of business:

- wireless personal communications services, or PCS, as a Sprint PCS affiliate, through Shenandoah Personal Communications Company;
- telephone, which involves the provision of regulated and non-regulated telephone services, through Shenandoah Telephone Company;
- mobile, which involves the provision of tower leases and paging services, through Shenandoah Mobile Company;
- cable television, which involves the provision of analog, digital and high-definition television services, through Shenandoah Cable Television and Shentel Cable Company;
- other, which involves the provision of Internet, network facility leasing, long-distance, CLEC, and wireless broadband services, through ShenTel Service Company, Shenandoah Network Company, Shenandoah Long Distance Company, ShenTel Communications Company and Converged Services of West Virginia, and the provision of investment and management services to its subsidiaries, through Shenandoah Telecommunications Company.

During the third quarter of 2005, Shenandoah Valley Leasing Company changed its name to Shentel Wireless Company to record the activities associated with the Company's Wireless Broadband Group. During the fourth quarter of 2006, Shentel Wireless Company terminated all but one contract to provide wireless services, transferred that contract to Shentel Converged Services, Inc., and ceased operations.

The Company is the exclusive provider of wireless mobility communications network products and services on the 1900 MHz band under the Sprint brand from Harrisonburg, Virginia to Harrisburg, York and Altoona, Pennsylvania. The Company's primary service area for the telephone, cable television and long-distance business is Shenandoah County, Virginia. The county is a rural area in northwestern Virginia, with an estimated population of approximately 41,000 inhabitants, which has increased by approximately 6,000 since 2000. While a number of new housing developments are being planned for Shenandoah County, the Company believes that the potential for significant numbers of additional wireline customers in the Shenandoah County operating area is limited. With the acquisition in December 2008 of cable system assets and customers from Rapid Communications, LLC, through the Company's Shentel Cable Company subsidiary, the Company has expanded its cable television services to portions of West Virginia and Alleghany County, Virginia.

As a result of the November 30, 2004 acquisition of the 83.9% of NTC Communications, L.L.C. ("NTC") that the Company did not already own, the Company, through its subsidiary Shentel Converged Services, provides local and long distance voice, video, and Internet services on an exclusive and non-exclusive basis to MDU communities, consisting primarily of off-campus college student housing throughout the southeastern United States including Virginia, North Carolina, Maryland, South Carolina, Georgia, Florida, Tennessee, Mississippi and Delaware. As of December 31, 2008, Converged Services has been classified as a discontinued operation and its assets and liabilities reclassified as held for sale in the consolidated financial statements.

The Company sells and leases equipment, mainly related to the services it provides. The Company participates in emerging services and technologies by investment in technology venture funds and direct investment in non-affiliated companies.

SIGNIFICANT TRANSACTIONS

The 2008, 2007 and 2006 financial results of the Company reflected several transactions considered non-recurring in nature or significant in size. These transactions should be noted in understanding the financial results of the Company for 2008, 2007 and 2006. The following table summarizes the impact of these transactions, which are described in more detail in the subsequent paragraphs:

SIGNIFICANT TRANSACTIONS
(in thousands)

		INCOME STATEMENT IMPACT		
	EFFECTIVE DATE	2008	2007	2006
Cost of share award	December 2007	$ -	$ (2,074)	$ -
Net gain from curtailment of pension benefits	November 2006	-	-	1,022
Cost of early retirement incentives	December 2006	-	(2,675)	(389)
Gain on RTB dissolution	March 2006	-	-	10,540

In September 2008, the Company announced its intention to sell its Converged Services segment. The operating results of this segment were reclassified to discontinued operations, and the assets and liabilities were reclassified as assets and liabilities held for sale. Certain costs previously charged or allocated to the Converged Services segment are not appropriately chargeable to discontinued operations, and these costs have been reclassified to the "Other" segment within continuing operations for all periods presented.

In December 2008, the Company closed on the acquisition of certain cable assets serving approximately 17,000 customers in Virginia and West Virginia. The 2008 consolidated income statement includes one month of operations for the Company's new Shentel Cable subsidiary, which is included as part of the Company's Cable Segment.

In March 2007 retroactive to January 1, 2007, the Company amended the Management Agreement with Sprint Nextel. As more fully described below, this amendment simplified the settlement process between the Company and Sprint Nextel primarily by combining the net effect of travel revenue and expense and certain costs charged by Sprint Nextel into a new net service fee of 8.8% of net billed revenue. The net effect of this change was a reduction in both revenues and expenses in our PCS segment. The amended agreement also provided for the Company to acquire the retail store locations described below, and to begin servicing the Sprint Nextel iDEN customer base. This "net" accounting results in revenues, expenses and profit margins of the PCS segment and the Company that may not be directly comparable to other wireless carriers.

In May 2007, the Company acquired 13 retail store locations from Sprint Nextel and began servicing Sprint Nextel's iDEN customers. The Company hired a number of Sprint Nextel employees upon acquisition of the stores, and added additional staff in the stores and to support the expanded retail effort.

In December 2007, the Board of Directors approved an award of shares of common stock to 26 management level employees with more than one year of service. The Company issued 97,730 shares of common stock to the recipients; half were unrestricted shares and the other half carry a two year restriction on disposition of the stock. The Company recorded a $2.1 million charge for the aggregate fair value of the shares distributed.

On November 30, 2006, the Company announced that it would freeze benefit accruals for all participants in the Company's defined benefit pension plans as of January 31, 2007, and that it would replace the frozen benefits by increasing the Company's contributions to the existing 401(k) Supplemental Retirement Plan, as well as a new non-qualified defined contribution plan to be established for selected employees, going forward. The Company also announced that it intended to terminate and settle the defined benefit pension plan. Included in net pension costs for 2006 was a gain on the curtailment of the pension plans of $1.8 million, offset by $0.8 million of accelerated amortization of prior unrecognized pension costs.

The Company also announced a voluntary early retirement incentive plan for 58 eligible participants, as well as the intention to use the early retirement incentive, attrition, and if necessary, an involuntary reduction in force to eliminate up to 50 positions. Severance benefits on a sliding scale based on pay category and years of service were payable under the reduction in force. As of December 31, 2006, seven employees had elected to accept the early retirement incentive. Included in the Company's consolidated statement of income for 2006 were $0.4 million in estimated costs of the early retirement incentives for these employees. During January 2007, 25 additional employees elected to accept the early retirement offer, and during February 2007, ten employees, including three hired on a temporary basis, separated from service under the reduction in force. The Company recorded approximately $2.0 million in costs associated with the additional early retirements during the first quarter of 2007, and during the fourth quarter of 2007, recognized $0.7 million in pension expense related to the settlement of pension liabilities for employees who took lump sum pension payments following their early retirement. At this time, the Company expects to complete the settlement of the defined benefit pension plan in 2009, and will record approximately $3.4 million in pension expense as settlements occur.

On August 4, 2005, the board of directors of the Rural Telephone Bank ("RTB") adopted resolutions for the purpose of dissolving RTB as of October 1, 2005. The Company held 10,821,770 shares of Class B and Class C RTB Common Stock ($1.00 par value) which was reflected on the Company's books at $796,000 under the cost method at December 31, 2005. In 2006, the Company received $11.3 million in proceeds, and recognized a gain of approximately $6.4 million, net of tax, related to the dissolution of the RTB and the redemption of the stock. In the fourth quarter of 2007, the Company received an additional $0.1 million as a final distribution on the dissolution of the RTB.

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:

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 the aging categories. The Company provides an allowance for substantially all receivables over 90 days old.

The allowance for doubtful accounts balance as of December 31, 2008, 2007 and 2006 was $0.1 million, $0.2 million and $0.6 million, respectively. If the allowance for doubtful accounts is not adequate, it could have a material adverse effect on our liquidity, financial position and results of operations. The decrease in the reserve (above) and in net bad debt write-offs (below) during 2007 reflects changes in the handling of bad debt and related transactions under the amended Sprint Nextel management agreement.

The following table shows bad debt write-offs, net of recoveries, for the three-year period ended December 31, 2008:

YEAR ENDED DECEMBER 31, (in thousands)	2008	2007	2006
PCS subscribers	$ -	$ -	$ 3,208
Interexchange carriers	-	-	106
Other subscribers and entities	557	(16)	229
NET BAD DEBT WRITE-OFFS	**$ 557**	**$ (16)**	**$ 3,543**

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.

Effective July 1, 2003, the Company adopted Emerging Issues Task Force ("EITF") No. 00-21, "Accounting for Revenue Arrangements with Multiple Element Deliverables." The EITF guidance addresses how to account for arrangements that may involve multiple revenue-generating activities, i.e., the delivery or performance of multiple products, services, and/or rights to use assets. In applying this guidance, separate contracts with the same party, entered into at or near the same time, are presumed to be a bundled transaction, and the consideration is measured and allocated to the separate units based on their relative fair values. The adoption of EITF 00-21 has required evaluation of each arrangement entered into by the Company for each sales channel. The Company will continue to monitor arrangements with its sales channels to determine if any changes in revenue recognition would need to be made in the future. Substantially all activation fee revenue and associated direct costs are recognized at the time the related wireless handset is sold and is classified as equipment revenue and cost of goods and services, respectively.

Under the Sprint Nextel Management Agreement, wireless service revenues are reported net of the 8% Management Fee and, since its imposition effective January 1, 2007, the 8.8% Net Service Fee retained by Sprint Nextel, in accordance with EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent."

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 will evaluate the effective rate of taxes based on apportionment factors, the Company's operating results, and the various state income tax rates. Currently, management anticipates that the future effective income tax rate will be approximately 40%.

Leases

The Company accounts for operating leases following the guidance of SFAS No. 13, "Accounting for Leases," and FASB Technical Bulletin No. 85-3, "Accounting for Operating Leases with Scheduled Rent Increases." In light of the Company's investment in each site, including acquisition costs and leasehold improvements, the Company includes the exercise of certain renewal options in the recording of operating 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. Where the Company is the lessor, the Company recognizes revenue on a straight line basis over the noncancelable term of the lease.

Long-lived Assets

The Company views the determination of the carrying value of long-lived assets as a critical 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.

Fair Value of Converged Services

The Company's assessment of the fair value of the Converged Services assets is based on a review of information related to executed sales transactions for similar businesses. Based on this assessment, the Company has concluded that the fair value (less costs required to sell) is greater than the carrying value of these assets. The ultimate selling price will very much depend on the dynamics of the market and the sale process, and the financial circumstances of the telecommunications industry and the buyers at the time of the sale. It is not possible at this time to anticipate how all of these factors might influence the final sales price or whether the eventual sale will result in a future gain or loss.

In addition, the Company may choose not to sell the business if the current sales process does not result in an offer that the Company deems to be appropriate.

Other

The Company does not have any unrecorded off-balance sheet transactions or arrangements: however, the Company has commitments under operating leases and is subject to up to $0.3 million in capital calls under its investments.

RESULTS OF CONTINUING OPERATIONS, 2008 COMPARED TO 2007 CONSOLIDATED RESULTS

The Company's consolidated results from continuing operations for the years ended December 31, 2008 and 2007 are summarized as follows:

(in thousands)	YEAR ENDED DECEMBER 31,		CHANGE	
	2008	2007	$	%
Operating revenues	$ 144,424	$ 130,365	$ 14,059	10.8
Operating expenses	98,778	93,678	5,100	5.4
Operating income	45,646	36,687	8,959	24.4
Other income (expense)	(1,648)	589	(2,237)	n/m
Income tax provision	17,669	15,112	2,557	16.9
NET INCOME FROM CONTINUING OPERATIONS	**$ 26,329**	**$ 22,164**	**$ 4,165**	**18.8**

Operating revenues

For the year ended December 31, 2008, operating revenue increased $14.1 million, or 10.8%, primarily due to increased revenue in the Company's PCS segment as a result of a 12.9% increase in retail PCS subscribers during 2008. See the PCS Segment Results section below for additional details of these changes. In addition, operating revenue in the Cable TV segment increased by $1.1 million, largely due to the acquisition of cable customers from Rapid Communications, LLC. See the Cable TV Segment Results section for additional details on this change.

Operating expenses

For the year ended December 31, 2008, operating expenses increased $5.1 million, or 5.4%, primarily due to increases in the Company's PCS segment due to network expansion and the provision of EVDO (high speed wireless data access) service, partially offset by costs incurred in 2007 associated with the early retirement offer announced in late 2006, and the cost of the share award distributed in December 2007 to management level employees. The Company recognized expenses associated with these two programs of approximately $4.8 million in 2007.

Other income (expense)

For the year ended December 31, 2008, interest income, dividends and losses on investments totaled $1.1 million of net losses, while for 2007, interest income, dividends and gains on investments totaled $1.6 million of net gains, principally reflecting market losses on investments. Partially offsetting this decline in income was a reduction in interest expense of $0.9 million, principally due to an increase in interest capitalized to capital projects during 2008.

Income tax provision

The Company's effective tax rate decreased slightly from 40.5% in 2007 to 40.2% in 2008.

SEGMENT RESULTS: PCS

(in thousands)	YEAR ENDED DECEMBER 31,		CHANGE	
	2008	2007	$	%
SEGMENT OPERATING REVENUES				
Wireless service revenue	$ 92,149	$80,054	$ 12,095	15.1
Travel and roaming revenue	-	45	(45)	(100.0)
Equipment revenue	5,214	5,015	199	4.0
Other revenue	2,788	2,193	595	27.1
Total segment operating revenues	**$100,151**	**$ 87,307**	**$ 12,844**	**14.7**
SEGMENT OPERATING EXPENSES				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	33,536	28,150	5,386	19.1
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	16,811	15,226	1,585	10.4
Depreciation and amortization	16,330	15,107	1,223	8.1
Total segment operating expenses	**$66,677**	**$ 58,483**	**$ 8,194**	**14.0**
SEGMENT OPERATING INCOME	**$ 33,474**	**$ 28,824**	**$ 4,650**	**16.1**

The Company's PCS Subsidiary, as a Sprint PCS affiliate, provides digital wireless service to a portion of a four-state area covering the region from Harrisburg, York and Altoona, Pennsylvania, to Harrisonburg, Virginia.

The Company receives revenues from Sprint Nextel for subscribers that obtain service in the Company's network coverage area. The Company relies on Sprint Nextel to provide timely, accurate and complete information for the Company to record the appropriate revenue and expenses for each financial period.

The Company had 411 PCS base stations in service at December 31, 2008, compared to 346 base stations in service at December 31, 2007. The increase in base stations was primarily the result of supplementing network capacity and expanding coverage in certain market areas.

The Company had 211 EVDO-enabled sites in service at December 31, 2008, compared to 52 EVDO-enabled sites at December 31, 2007. EVDO is Sprint Nextel's high speed data transmission technology that allows for wireless internet access.

The Company currently anticipates expanding the number of base stations and EVDO-enabled sites by more than 60 and 100, respectively, during 2009.

The Company's average PCS retail customer turnover, or churn rate, was 1.9% in 2008, compared to 2.0% in 2007. In 2008, deductions from gross revenues (consisting of recurring and non-recurring discounts provided to customers, fees retained by Sprint Nextel, and allocated write-offs) were $35.6 million, compared to $26.7 million for 2007. The increase in these deductions is consistent with the growth in service revenues as well as efforts by Sprint Nextel to retain customers during 2008. Management continues to monitor receivables, collection efforts and new subscriber credit ratings.

As of December 31, 2008, the Company had 211,462 retail PCS subscribers compared to 187,303 subscribers at December 31, 2007. The PCS operation added 24,159 net retail customers in 2008 compared to 33,800 net retail subscribers added in 2007.

Operating Revenues

For 2008, wireless service revenue totaled $92.1 million and consisted of gross billings of $134.2 million less credits and adjustments of $15.0 million, allocated write-offs of $8.1 million, management fee of $9.0 million and net service fee of $9.9 million. For 2007, wireless service revenue totaled $80.1 million and consisted of gross billings of $114.1 million and wholesale revenue of $0.1 million related to 2006, less credits and adjustments of $11.1 million, allocated write-offs of $6.9 million, management fee of $7.7 million and net service fee of $8.5 million.

Gross billings for 2008 increased $20.1 million, or 17.6%, as a result primarily of the increase in the number of subscribers; credits and adjustments increased $3.9 million, or 35.1%, due to efforts during 2008 by Sprint Nextel to retain customers. The increases in allocated write-offs, the management fee and the net service fee are consistent with the increases in wireless service revenue.

Equipment revenue increased $0.2 million in 2008 over 2007 as a result of increased sales of handsets to both new and upgrading customers.

Other revenue increased $0.6 million for 2008 compared to 2007. The increase resulted from an adjustment to USF fees for 2005 through 2007 passed through from Sprint Nextel to the Company in the second quarter of 2008 for $1.0 million, offset by a $0.4 million decline in activation fee revenue from new subscribers.

Cost of goods and services

Cost of PCS goods and services increased $5.4 million, or 19.1% compared to 2007. Costs of handsets increased $2.4 million, due to higher costs of phones with new and expanded features, while line costs and rent expenses increased $3.0 million due to the expansion of the wireless network and the provision of EVDO capabilities throughout the PCS territory. The wireless network expanded by 65 base stations, while EVDO capabilities for high speed data transmission such as internet access, was added to 159 sites during 2008. The Company expects that line costs and rent expenses will continue to grow during 2009 due to the full year effect of additions during 2008, as well as continued expansion of base stations and EVDO-enabled sites during 2009.

Selling, general and administrative

Selling, general and administrative costs increased $1.6 million, or 10.4%, compared to 2007. Significant changes in 2008 included an increase of $0.4 million in third party commissions and $0.7 million in increased costs related to the 13 retail locations acquired from Sprint Nextel in May 2007, while the 2007 results included the PCS segment's $0.7 million share of the cost of the December 2007 stock award, offset by the reversal during 2007 of the year end 2006 bad debt reserve of $0.5 million as a result of changes in handling bad debt under the amended Sprint agreement.

Depreciation and amortization

Depreciation and amortization expense increased $1.2 million, or 8.1%, over 2007, due to capital investments to expand our network coverage and capacity, as well as for adding EVDO capability.

SEGMENT RESULTS: TELEPHONE

(in thousands)	YEAR ENDED DECEMBER 31,		CHANGE	
	2008	2007	$	%
SEGMENT OPERATING REVENUES				
Service revenue — wireline	$ 6,647	$ 6,782	$ (135)	(2.0)
Access revenue	12,308	12,476	(168)	(1.3)
Facilities lease revenue	8,010	7,533	477	6.3
Equipment revenue	23	28	(5)	(17.9)
Other revenue	3,684	3,716	(32)	(0.9)
Total segment operating revenues	**$ 30,672**	**$ 30,535**	**$ 137**	**0.4**
SEGMENT OPERATING EXPENSES				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	6,847	7,753	(906)	11.7
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	4,701	6,258	(1,557)	(24.9)
Depreciation and amortization	6,594	5,217	1,377	26.4
Total segment operating expenses	**$ 18,142**	**$ 19,228**	**$ (1,086)**	**(5.7)**
SEGMENT OPERATING INCOME	**$ 12,530**	**$ 11,307**	**$ 1,223**	**10.8**

Shenandoah Telephone Company provides both regulated and unregulated telephone services and leases fiber optic facilities primarily throughout the northern Shenandoah Valley, and into the northern Virginia suburbs of Washington, DC.

Over past periods, the trend amongst regulated local telephone service providers has been a decline in subscribers, principally due to competition from cable companies and other competitive providers, and consumer migration to wireless and DSL services, eliminating second and often the primary access lines. Shentel's ownership of the overlapping cable franchise (which does not offer internet or voice services) has mitigated this trend compared to the industry. In 2008, access lines declined by 327 or 1.3%, compared to a decline of 294, or 1.2%, for 2007. Based on industry experience, the Company anticipates that the long-term trend toward declining telephone subscriber counts will continue for the foreseeable future.

Operating revenues

Facility lease revenue increased $0.5 million or 6.3% in 2008 due to expanding fiber leases with the Company's PCS affiliate initiated during 2008, and additional circuits initiated in 2007 and 2008 with the Company's long distance affiliate.

Cost of goods and services

Cost of goods and services decreased in 2008 by $0.9 million, or 11.7%, due to part of the Telephone segment's share of early retirement costs recognized in 2007.

Selling, general and administrative

Selling, general and administrative expense decreased in 2008 by $1.6 million, or 24.9%, due to the remaining $1.3 million of the Telephone segment's share of the early retirement costs (the Telephone segment's total share of the early retirement costs was $2.2 million), plus Telephone's $0.5 million share of the cost of the December stock award, both recorded in 2007; partly offset by small increases in other marketing expenses and operating taxes.

Depreciation expense

Depreciation expense increased $1.4 million, or 26.4%, over 2007. The Company accelerated depreciation starting in late 2007 on certain components of its fiber network that the Company replaced to upgrade network capacity, adding $0.9 million to 2008 depreciation expense. The remainder of the increase relates to capital expenditures placed in service during 2008.

SEGMENT RESULTS: MOBILE

(in thousands)	YEAR ENDED DECEMBER 31,		CHANGE	
	2008	2007	$	%
SEGMENT OPERATING REVENUES				
Tower lease revenue — affiliate	$ 2,410	$ 2,216	$ 194	8.8
Tower lease revenue — non-affiliate	4,074	3,704	370	10.0
Other revenue	250	243	7	2.9
Total segment operating revenues	**$ 6,734**	**$ 6,163**	**$ 571**	**9.3**
SEGMENT OPERATING EXPENSES				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	2,199	1,867	332	17.8
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	812	762	50	6.6
Depreciation and amortization	884	923	(39)	(4.2)
Total segment operating expenses	**$ 3,895**	**$ 3,552**	**$ 343**	**9.7**
SEGMENT OPERATING INCOME	**$ 2,839**	**$ 2,611**	**$ 228**	**8.7**

The Mobile segment provides tower rental space to affiliated and non-affiliated companies in the Company's PCS markets and paging services throughout the Northern Shenandoah Valley.

At December 31, 2008, the Mobile segment had 116 towers and 183 non-affiliate tenants compared to 114 towers and 167 non-affiliate tenants at December 31, 2007.

Operating revenues

The increase in tower lease revenue – affiliate resulted from changes in lease rates implemented during the second quarter of 2007, to better reflect market conditions for tower leases. The offsetting expense is within the PCS segment.

Tower lease revenue non-affiliate increased due to additional leases entered into during 2007 and 2008. The Company added 16 leases in each year.

Operating expenses

The increase in cost of goods and services reflects increased rent and power costs for tower sites ($0.2 million) and higher site inspection costs ($0.1 million).

SEGMENT RESULTS: CABLE TELEVISION

(in thousands)	YEAR ENDED DECEMBER 31, 2008	2007	CHANGE $	%
SEGMENT OPERATING REVENUES				
Service revenue	$ 5,592	$ 4,573	$ 1,019	22.3
Equipment and other revenue	541	485	56	11.5
Total segment operating revenues	**$ 6,133**	**$ 5,058**	**$ 1,075**	**21.3**
SEGMENT OPERATING EXPENSES				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	4,205	4,161	44	1.1
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	1,594	1,659	(65)	(3.9)
Depreciation and amortization	1,250	1,050	200	19.0
Total segment operating expenses	**$ 7,049**	**$ 6,870**	**$ 179**	**2.6**
SEGMENT OPERATING LOSS	**$ (916)**	**$(1,812)**	**$ 896**	**49.4**

The Cable Television segment provides analog, digital and high-definition television signals under the Company's long-standing franchise agreements within Shenandoah County, Virginia, provided through our Shenandoah Cable Company subsidiary; and effective December 1, 2008, under newly-acquired franchise agreements throughout portions of West Virginia and in Allegheny County, Virginia, provided through our Shentel Cable Company subsidiary. The newly-acquired franchise agreements were acquired as part of the acquisition of certain cable assets and customers acquired from Rapid Communications, LLC. As of December 31, 2008, Shenandoah Cable served 8,242 subscribers, down 61 subscribers from 8,303 as of December 31, 2007. At December 31, 2008, Shentel Cable provided service to 17,127 customers, for a total of 25,369 cable subscribers at December 31, 2008.

Operating revenues

Service revenue increased in 2008 from 2007 due primarily to revenue associated with Shentel Cable of $0.8 million for the month of December. Service revenue at Shenandoah Cable increased $0.2 million due to a rate increase implemented in late 2007. The increase in equipment and other revenue resulted from growth in high-definition converter rentals at Shenandoah Cable. The Company expects that 2009 service revenue will increase substantially due to the full year impact of Shentel Cable.

Cost of goods and services

The relatively small increase in cost of goods and services resulted from two offsetting changes. Cost of goods and services for 2008 included $536 thousand in costs for Shentel Cable, primarily programming and network costs. Shenandoah Cable's cost of goods and services decreased $492 thousand in 2008 compared to 2007. The Company spent $0.4 million less in 2008 for high-definition converter boxes, offset in part by $0.1 million in additional programming costs. Shenandoah Cable's 2007 costs also included $0.2 million for a portion of its share of the early retirement costs incurred during 2007.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased from 2007 to 2008 due to $0.2 million for the remaining portion of Shenandoah Cable's share of early retirement costs in 2007 and $0.2 million in lower marketing and selling costs, offset by $0.3 million in marketing and customer service costs for Shentel Cable.

Depreciation and amortization

The increase in depreciation and amortization for 2008 resulted entirely from Shentel Cable.

The Company expects operating expenses will increase substantially in 2009 due to the full year impact of Shentel Cable.

2007 COMPARED TO 2006 CONSOLIDATED RESULTS

The Company's consolidated results from continuing operations for the years ended December 31, 2007 and 2006 are summarized as follows:

(in thousands)	YEAR ENDED DECEMBER 31, 2007	2006	CHANGE $	%
Operating revenues	$ 130,365	$ 158,894	$ (28,529)	(18.0)
Operating expenses	93,678	133,165	(39,487)	(29.7)
Operating income	36,687	25,729	10,958	42.6
Other income (expense)	589	9,189	(8,600)	(93.6)
Income tax provision	15,112	14,190	922	6.5
NET INCOME FROM CONTINUING OPERATIONS	**$ 22,164**	**$ 20,728**	**$ 1,436**	**6.9**

Operating revenues

For the year ended December 31, 2007, operating revenue decreased $28.5 million, or 18.0%, due to the changes in the Company's PCS segment as a result of the amendments to the management agreement with Sprint Nextel. Travel revenue and travel expenses, reported and settled on a gross basis in 2006, were settled net as a component of a Net Service Fee paid subsequent to January 1, 2007. The Net Service Fee, in addition to replacing the net travel settlements, also replaced several other fees and pass through costs historically recognized by PCS. See the PCS Segment Results section below for additional details of these changes.

Operating expenses

For the year ended December 31, 2007, operating expenses decreased $39.5 million, or 29.7%, primarily due to the changes in the Company's PCS segment. For the year ended December 31, 2007, PCS operating expenses decreased $41.3 million, or 41.4%, while Telephone and Cable TV operating expenses increased $3.1 million and $1.3 million, respectively, principally due to costs associated with the early retirement offer announced in late 2006, and the cost of the share award distributed in December 2007 to management level employees. The Company recognized expenses associated with these two programs of approximately $4.8 million in 2007.

Other income (expense)

For the year ended December 31, 2006, other income (expense) included a $10.5 million pre-tax gain on the sale of RTB stock. For 2007 compared to 2006, gains on investments other than the RTB stock increased $0.7 million, non-operating income increased $0.7 million, and interest expense decreased $0.5 million.

Income tax provision

The Company's effective tax rate decreased slightly from 40.6% in 2006 to 40.5% in 2007.

SEGMENT RESULTS: PCS

(in thousands)	YEAR ENDED DECEMBER 31, 2007	2006	CHANGE $	%
SEGMENT OPERATING REVENUES				
Wireless service revenue	$ 80,054	$ 75,509	$ 4,545	6.0
Travel and roaming revenue	45	34,048	(34,003)	(99.9)
Equipment revenue	5,015	4,210	805	19.1
Other revenue	2,193	1,688	505	29.9
Total segment operating revenues	**$ 87,307**	**$115,455**	**$(28,148)**	**(24.4)**
SEGMENT OPERATING EXPENSES				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	28,150	52,511	(24,361)	(46.4)
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	15,226	32,958	(17,732)	(53.8)
Depreciation and amortization	15,107	14,326	781	5.5
Total segment operating expenses	**$ 58,483**	**$ 99,795**	**$ (41,312)**	**(41.4)**
SEGMENT OPERATING INCOME	**$ 28,824**	**$ 15,660**	**$ 13,164**	**84.1**

The Company had 346 PCS base stations in service at December 31, 2007, compared to 332 base stations in service at December 31, 2006. The increase in base stations was primarily the result of supplementing network capacity and expanding coverage in certain market areas.

The Company's average PCS retail customer turnover, or churn rate, was 2.0% in 2007, compared to 1.9% in 2006. In 2007, allocated write-offs were 6.1% of PCS service revenues, compared to 4.2% bad debt write-offs as a percent of PCS service revenues in 2006. As of December 31, 2007, the Company had 187,303 retail PCS subscribers compared to 153,503 subscribers at December 31, 2006. The PCS operation added 33,800 net retail customers in 2007 compared to 30,528 net retail subscribers added in 2006.

Operating Revenues

For 2007, wireless service revenue totaled $80.1 million and consisted of gross billings of $114.1 million and wholesale revenue of $0.1 million related to 2006, less credits and adjustments of $11.1 million, allocated write-offs of $6.9 million, management fee of $7.7 million and net service fee of $8.5 million. For 2006, wireless service revenue totaled $75.5 million and consisted of gross billings of $88.4 million and wholesale revenue of $3.0 million, less credits and adjustments of $9.6 million, and management fee of $6.4 million.

Gross billings for 2007 increased $25.7 million, or 29.1%, as a result primarily of the increase in the number of subscribers; credits and adjustments increased $1.5 million, or 15.6%, due to promotional incentives offered by Sprint Nextel in early 2007 and billing/service adjustments; management fees increased $1.3 million due to increased billings; and the allocated write-offs and the net service fee for 2007 are new components of wireless service revenue as a result of the 2007 Amendment. The wholesale revenue of $0.1 million in 2007 was recorded to true up 2006 accruals.

As a result of the 2007 Amendment, travel, data, long distance and wholesale revenues, totaling $37.1 million in 2006, are no longer recorded by the Company.

Equipment revenue increased $0.8 million in 2007 over 2006 as a result of increased sales of handsets to both new and upgrading customers.

Other revenue increased $0.5 million for 2007 compared to 2006. The increase resulted from revenue collected from Sprint Nextel associated with new customer activations.

Cost of goods and services

Cost of PCS goods and services decreased $24.4 million, or 46.4% in 2007, principally as a result of the effects of the 2007 Amendment. The 2007 Amendment eliminated $27.1 million in net costs, primarily travel and long distance costs of $27.3 million and other costs totaling $3.0 million, offset by lost handset subsidies of $3.2 million. The PCS segment also recorded $0.6 million of net credits in 2007 to true-up 2006 accruals for expenses previously settled with Sprint Nextel.

Cost of goods and services experienced increases due to the cost of the PCS phones sold to new and existing customers. The cost of end user equipment increased $1.7 million from 2006. Network costs increased $1.3 million in 2007 as the PCS segment added EVDO capability for high speed data transmission such as internet access to 52 tower sites during the fourth quarter of 2007, as well as adding 14 additional cell sites to expand our capacity and coverage footprint. All other costs of goods and services increased $0.4 million over 2006.

Selling, general and administrative

Selling, general and administrative costs decreased $17.7 million, or 53.8%, compared to 2006. The decrease was primarily attributable to the elimination of $16.8 million in 2006 costs due to the 2007 Amendment, principally $11.1 million of customer service and billing provided by Sprint Nextel, and $5.7 million in commissions paid to third party and national retailers who activate customers in the Company's PCS service area. The 2007 Amendment also impacted bad debt expense. The PCS segment recorded $3.3 million in bad debt expense during 2006; under the 2007 Amendment, bad debts are reflected as an offset against billed revenues (allocated write-offs). Allocated write-offs, at $6.9 million for 2007, have increased substantially. Due to the change in handling bad debts, the PCS segment reversed in 2007 the $0.5 million reserve for bad debts as of December 31, 2006.

Other components of selling, general and administrative expenses increased approximately $2.9 million over 2006. Significant increases included $1.0 million in commissions, $1.7 million in costs related to the 13 retail locations acquired from Sprint Nextel, and the PCS segment's $0.7 million share of the cost of the December stock award. These increases were partially offset by $0.6 million in lower marketing and advertising costs.

Depreciation and amortization

Depreciation and amortization expense increased $0.8 million, or 5.5%, over 2006, due to capital investments to expand our network coverage and capacity, as well as for adding EVDO capability.

SEGMENT RESULTS: TELEPHONE

(in thousands)	YEAR ENDED DECEMBER 31, 2007	2006	CHANGE $	%
SEGMENT OPERATING REVENUES				
Service revenue — wireline	$ 6,782	$,856	$ (74)	(1.1)
Access revenue	12,476	13,163	(687)	(5.2)
Facilities lease revenue	7,533	6,838	695	10.2
Equipment revenue	28	28	-	-
Other revenue	3,716	3,585	131	3.7
Total segment operating revenues	**$ 30,535**	**$30,470**	**$ 65**	**0.2**
SEGMENT OPERATING EXPENSES				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	7,753	6,868	885	12.9
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	6,258	4,491	1,767	39.3
Depreciation and amortization	5,217	4,755	462	9.7
Total segment operating expenses	**$ 19,228**	**$ 16,114**	**$3,114**	**19.3**
SEGMENT OPERATING INCOME	**$ 11,307**	**$ 14,356**	**$ (3,049)**	**(21.2)**

Operating Revenues

Wireline service revenue decreased 1.1%, consistent with the 1.2% drop in access lines during the year.

Access revenue decreased $0.7 million, or 5.2%, in 2007 compared to 2006. Significant components included $0.3 million lower DSL revenue due to the adoption during 2007 of the NECA wholesale rate for DSL service, $0.2 million for the reversal of accruals for disputed charges for handling 1-800 calls; and $0.1 million in lower carrier access revenues.

Facility lease revenue increased $0.7 million to $7.5 million in 2007 primarily due to a new fiber lease with the Company's cable television affiliate initiated during 2007, and additional circuits initiated in 2007 with the Company's long distance affiliate.

Other revenue increased $0.1 million to $3.7 million in 2007, due to small increases in directory revenue and building rent.

Cost of goods and services

Cost of goods and services increased in 2007 by $0.9 million, or 12.9%, due to part of the Telephone segment's share of early retirement costs.

Selling, general and administrative

Selling, general and administrative expense increased in 2007 by $1.8 million, or 39.3%, due to the remaining $1.3 million of the Telephone segment's share of the early retirement costs (the Telephone segment's total share of the early retirement costs was $2.2 million), plus Telephone's $0.5 million share of the cost of the December stock award.

Depreciation expense

Depreciation expense increased $0.5 million, or 9.7%, over 2006. The Company accelerated depreciation on certain components of its fiber network that will be replaced to upgrade network capacity.

SEGMENT RESULTS: MOBILE

(in thousands)	YEAR ENDED DECEMBER 31,		CHANGE	
	2007	2006	$	%
SEGMENT OPERATING REVENUES				
Tower lease revenue-affiliate	$ 2,216	$ 1,656	$ 560	33.8
Tower lease revenue-non-affiliate	3,704	3,412	292	8.6
Other revenue	243	183	60	32.8
Total segment operating revenues	**$ 6,163**	**$ 5,251**	**$ 912**	**17.4**
SEGMENT OPERATING EXPENSES				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	1,867	1,595	272	17.1
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	762	687	75	10.9
Depreciation and amortization	923	878	45	5.1
Total segment operating expenses	**$ 3,552**	$ 3,160	**$ 392**	**12.4**
SEGMENT OPERATING INCOME	$ 2,611	$ 2,091	$ 520	24.9

At December 31, 2007, the Mobile segment had 114 towers and 167 non-affiliate tenants compared to 112 towers and 151 non-affiliate tenants at December 31, 2006.

Operating revenues

The increase in tower lease revenue – affiliate resulted from changes in lease rates implemented during the second quarter of 2007, to better reflect market conditions for tower leases. The offsetting expense is within the PCS segment.

Tower lease revenue non-affiliate increased due to additional leases entered into during 2007.

The increase in other revenue resulted from site application and similar costs billed to potential tenants.

Operating expenses

The increase in cost of goods and services reflects increased rent and power costs for tower sites ($0.1 million) and higher maintenance and repair costs ($0.1 million).

The increase in selling, general and administrative expenses primarily reflects increased allocations of internal costs reflecting higher levels of activity at Mobile (see above comments), offset by a refund of sales tax charged in prior years on tower rents.

SEGMENT RESULTS: CABLE TELEVISION

(in thousands)	YEAR ENDED DECEMBER 31,		CHANGE	
	2007	2006	$	%
SEGMENT OPERATING REVENUES				
Service revenue	$ 4,573	$ 4,611	$ (38)	(0.8)
Equipment and other revenue	485	386	99	25.6
Total segment operating revenues	**$ 5,058**	**$ 4,997**	**$ 61**	**1.2**
SEGMENT OPERATING EXPENSES				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	4,161	3,241	920	28.4
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	1,659	1,200	459	38.3
Depreciation and amortization	1,050	1,104	(54)	(4.9)
Total segment operating expenses	**$ 6,870**	**$ 5,545**	**$ 1,325**	**23.9**
SEGMENT OPERATING LOSS	**$ (1,812)**	**$ (548)**	**$ (1,264)**	**230.7**

The Cable Television segment provides analog, digital and high-definition television signals under franchise agreements within Shenandoah County, Virginia. As of December 31, 2007, the Cable Television segment served 8,303 subscribers, down 137 from December 31, 2006. Increases in digital subscribers were offset by losses in basic customers.

Operating revenues

Service revenue decreased slightly in 2007 from 2006 due to the overall decline in subscribers. The increase in equipment and other revenue resulted from an increase in advertising revenue.

Cost of goods and services

Cost of goods and services increased primarily due to costs associated with high-definition television service initiated at the beginning of 2007. The Company spent $0.3 million more in 2007 for converter boxes (that allow the subscriber to receive the hi-def signals), an additional $0.2 million on programming costs, and $0.2 million for additional network costs to transmit signals over the network. The Cable segment's costs included $0.2 million for a portion of its share of the early retirement costs incurred during 2007.

Selling, general and administrative expenses

Selling, general and administrative expenses increased due to $0.3 million in additional marketing and customer service costs for the hi-def roll out in the beginning of the year, and to $0.2 million for the remaining portion of the Cable segment's share of early retirement costs.

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 $50.1 million of net cash from operations in 2008, a $6.3 million increase from 2007. Major changes in cash from operations included an increase of $5.6 million in net income and $7.9 million in deferred income taxes largely due to bonus depreciation on capital expenditures, offset in part by $1.8 million in contributions to the pension plan, an increase in accounts receivable principally from Sprint Nextel. The Company generated $43.7 million of net cash from operations in 2007, a $9.4 million increase from $34.4 million generated in 2006. The primary change in cash from operations in 2007 was the absence of the $10.5 million non-operating gain from the sale of RTB stock in 2006. Materials and supplies increased in 2007 to support the addition of 13 additional retail PCS stores. Accounts receivable growth slowed in 2006 as increased receivables at PCS were offset by declines at Converged Services and Telephone.

During 2008, the Company utilized $75.7 million in investing activities. Plant and equipment purchases totaled $65.6 million in 2008, while the acquisition of certain cable assets and customers from Rapid Communications, LLC, required $10.9 million of cash. Capital expenditures in 2008 supported the addition of 65 PCS base stations and 159 EVDO-enabled cell sites during the year, expansion of and upgrades to the Company's fiber network, back-office and information technology projects, and investments for new complexes and cable television upgrades in Converged Services in the early part of 2008, as well as numerous other projects. In 2007, the Company used $30.6 million of cash in investing activities. Purchase and construction of plant and equipment totaled $29.1 million in 2007, as the Company increased capital spending in its PCS segment following the resolution of uncertainties concerning the status of our relationship with Sprint Nextel. The Company added EVDO data carrying capacity to 52 PCS sites during 2007, and added 14 cell sites to expand our coverage footprint. The 2007 increase in purchases of investment securities resulted from the decision to fund a rabbi trust in connection with the Executive Supplemental Retirement Plan. In 2006, the Company used $9.8 million in investing activities, including $21.2 million used for the purchase and construction of plant and equipment for the operation of the Company's businesses, offset by $11.3 million received on the sale of the RTB stock. The Company reduced certain capital expenditures in the PCS segment during 2006 due to uncertainty as to any potential changes in the status of the PCS subsidiary.

Financing activities provided $13.6 million in cash during 2008, as the Company drew $23.7 million from its $52 million Delayed Draw Term Loan arrangement, finalized in October of 2008. The Company made $4.2 million in scheduled debt payments on its other debt, and paid dividends totaling $6.5 million to shareholders. Net cash used in financing was $9.3 million in 2007, compared to $13.6 million in 2006. In 2007, the Company made $4.1 million in scheduled debt payments, and increased the dividend over 2006. In 2006, the Company paid down the remaining $1.2 million outstanding balance of the revolving debt facility, paid off $4.7 million in borrowings with the RTB and Rural Utilities Service ("RUS"), and made approximately $4.0 million in scheduled principal payments on the outstanding CoBank debt.

Proceeds from stock options exercised, as well as excess tax benefits on option exercises, have declined in each of the last three years. Through 2008, except for signing grants of options to new executive officers, the Company has not awarded stock options since 2005, and thus the pool of options available to be exercised has been declining.

Indebtedness. At December 31, 2008, the Company's indebtedness totaled $41.4 million and the annualized overall weighted average rate of such indebtedness was approximately 5.0%.

The outstanding balance of the CoBank term loan is $17.5 million at December 31, 2008, all of which is at fixed rates ranging from approximately 6.67% to 8.05%. The CoBank term facility matures in 2013 and requires monthly payments of approximately $350 thousand plus interest.

On November 30, 2004, the Company amended the terms of its Master Loan Agreement with CoBank, ACB to provide for a $15 million revolving reducing credit facility. Under the terms of the amended credit facility, the Company was able to borrow up to $15 million for use in connection with the acquisition of NTC Communications LLC and other corporate purposes. The revolving credit facility has a 12-year term with scheduled quarterly payments beginning June 2006. Availability under this facility decreased each quarter by $312,500 since December 31, 2004; as of December 31, 2008, availability totaled $10.0 million. Borrowings under the facility accrue interest at an adjustable rate that can be converted to a fixed rate at the Company's option. There have been no outstanding balances on this facility since the first quarter of 2006.

On October 22, 2008, the Company amended the terms of its Master Loan Agreement with CoBank to provide for a $52 million delayed draw term loan. Availability under this facility may be drawn by the Company through December 31, 2009. At that time, quarterly repayments equal to 1/24th of the balance at December 31, 2009 will commence March 31, 2010 and continue through December 31, 2015. Draws under this facility bear interest at a variable rate determined by CoBank that resets weekly. The Company has other options under which it may set interest rates on this debt, including the option to fix the rate on up to five separate tranches of the outstanding balance. At December 31, 2008, $23.7 million was outstanding under this facility, at a variable rate of 2.87%.

The stated rates shown above exclude patronage credits that are received from CoBank. These patronage credits are a distribution of profits from CoBank, which is a cooperative required to distribute its profits to its members. During the first quarter of 2008 and 2007, the Company received patronage credits of approximately 100 basis points each on its outstanding CoBank debt balance. Repayment of the CoBank facilities is secured by a pledge of the stock of all of the subsidiaries of the Company.

The CoBank loan agreements have three financial covenants that are measured on a trailing 12-month basis and are calculated on continuing operations. At December 31, 2008, the ratio of total debt to operating cash flow, which must be 2.5 or lower, was 0.6; the equity to total assets ratio, which must be 35% or higher, was 63.0%; and the ratio of operating cash flow to scheduled debt service, which must exceed 2.0, was 10.5. The Company was in compliance with all covenants at December 31, 2008.

As of December 31, 2005, the Company had loans from the RTB and the RUS totaling $4.7 million at fixed rates ranging from 5.0% to 6.0%. During September 2006, the Company re-paid approximately $4.5 million of the outstanding RUS and RTB loans. The remaining RUS Economic Development loan does not bear interest and has no stated maturity.

On August 4, 2005, the board of directors of the Rural Telephone Bank adopted resolutions for the purpose of dissolving RTB as of October 1, 2005. The Company held 10,821,770 shares of Class B and Class C RTB Common Stock ($1.00 par value) which was reflected on the Company's books at $796,000 under the cost method at December 31, 2005. In 2006, the Company received $11.3 million in proceeds, and recognized a gain of approximately $6.4 million, net of tax, related to the dissolution of the RTB and the redemption of the stock, and in 2007, received a final distribution from the RTB of $0.1 million.

Contractual Commitments. The Company is obligated to make future payments under various contracts it has entered into, including amounts pursuant to its various long-term debt facilities, 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, 2008, 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)	$ 41,359	$ 4,399	$ 16,436	$ 12,424	$ 8,100
Interest on long-term debt(1)	5,562	1,841	2,460	1,006	255
Retirement plan contributions(2)	2,250	2,250	-	-	-
Operating leases(3)	54,596	7,530	12,765	9,104	25,197
Capital calls on investments	300	300	-	-	-
Purchase obligations(4)	2,874	2,874	-	-	-
TOTAL OBLIGATIONS	$ 106,941	$ 19,194	$ 31,661	$ 22,534	$33,552

1) Includes estimated principal payments and estimated interest payments on the delayed draw term loan based upon outstanding balances and rates in effect at December 31, 2008.

2) Represents expected contributions to the qualified pension plan.

3) Amounts include payments over reasonably assured renewals. See Note 13 to the consolidated financial statements appearing elsewhere in this report for additional information.

4) Represents open purchase orders at December 31, 2008.

The Company expects to settle its qualified defined benefit pension plan during 2009. Funds to settle the accumulated benefits will come from the assets of the plan, including amounts to be contributed as shown above.

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 $60.3 million on capital projects in 2008, substantially more than the $29.1 million spent in 2007 and the $21.2 million spent in 2006. The Company re-initiated PCS related spending in 2007, following the resolution of uncertainty during 2006 as to the potential change in the status of the PCS subsidiary. The Company also continued capital spending to expand and upgrade its fiber network, support new projects in its now-discontinued Converged Services segment, and other on-going projects.

Capital expenditures budgeted for 2009 total approximately $73 million. While the 2009 budget continues to add capacity and network coverage to our PCS network, new towers in our Mobile segment to support the expansion of PCS network coverage, and on-going spending to expand our digital cable capabilities and upgrade our fiber networks, it also includes significant spending to upgrade the cable networks acquired from Rapid Communications, LLC, in December 2008.

The Company believes that cash on hand, cash flow from operations and 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 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 currently expects that it will fund its future capital expenditures primarily with cash from operations and with borrowings, although there are events outside the control of the Company that could have an adverse impact on cash flows from operations.

These events include, but are not limited to; changes in overall economic conditions, regulatory requirements, changes in technologies, availability of labor resources and capital, changes in the Company's relationship with Sprint Nextel, cancellations or non-renewal of Converged Services contracts, and other conditions. The PCS subsidiary's operations are dependent upon Sprint Nextel'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 new products and services, and the subsidiary's ability to effectively and economically manage other operating activities under the Company's agreements with Sprint Nextel. The Company's ability to attract and maintain a sufficient customer base is also critical to its ability to maintain a positive cash flow from operations. The foregoing events individually or collectively could affect the Company's results.

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board ("FASB") issued two statements, SFAS 141 (Revised 2007), Business Combinations ("SFAS 141 Revised"), and SFAS 160, Non-Controlling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51 ("SFAS 160"). These two statements, which become effective January 1, 2009, change the accounting for transactions where one entity acquires all, or a substantial portion of, the ownership interests in another entity. SFAS 160 will also change the accounting for and presentation of those ownership interests not acquired in prior business combinations (formerly, minority interests). As the Company currently has no non-controlling interests subject to SFAS 160, and as SFAS 141 Revised does not change the accounting for any prior acquisitions, these statements have no impact upon the Company's historical financial statements.

In April 2008, the FASB issued a staff position, FSP 142-3, Determination of the Useful Life of Intangible Assets. This FSP is intended to improve consistency between the useful life of a recognized intangible asset under SFAS 142, Goodwill and Other Intangible Assets, and the period of expected cash flows used to measure the fair value of the asset under SFAS 141 Revised. This statement will become effective January 1, 2009. As the Company currently has relatively insignificant amounts of intangible assets, this statement is unlikely to have a material impact on the Company's financial statements or results of operations in the future.

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, 2008, the Company had $23.7 million of variable rate debt outstanding, bearing interest at a rate of 2.87%. This rate is determined by CoBank and adjusts on a weekly basis. An increase in market interest rates of 1.00% would add $237 thousand to annual interest expense; if and when fully drawn, a 1.00% increase in market interest rates would add $520 thousand to annual interest expense. The remaining $17.5 million of the Company's outstanding debt has fixed rates through maturity. A 10.0% increase in interest rates would decrease the fair value of the Company's total fixed rate debt by approximately $0.2 million, while the estimated fair value of the fixed rate debt was approximately $17.8 million as of December 31, 2008.

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. The cash is currently invested in an institutional cash management fund that has limited interest rate risk. Management continues to evaluate 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. Management does not believe that this risk is currently significant because the Company's existing sources of liquidity are adequate to provide cash for operations, payment of debt and near-term capital projects.

Management does not view market risk as having a significant impact on the Company's results of operations, although future results could be adversely affected if interest rates were to increase significantly for an extended period and the Company were to require additional external financing. 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, 2008, the Company has $6.9 million invested in privately held companies directly or 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 and an additional $0.3 million committed under contracts the Company has signed with portfolio managers.

SHAREHOLDER INFORMATION

OUR BUSINESS

Shenandoah Telecommunications Company is a diversified telecommunications holding company that provides a broad range of telecommunications services through its operating subsidiaries. These services include: wireline telephone service, primarily in Shenandoah County and small service areas in Rockingham, Frederick and Warren counties, all in Virginia; cable television service in Virginia including Shenandoah County and Allegany County, and in areas of West Virginia including Weston, Summersville, and Boone county; unregulated telecommunications equipment sales and services; Internet access provided to the multi-state region surrounding the northern Shenandoah Valley of Virginia and West Virginia; paging services in the northern Shenandoah Valley; resale of long distance services; operation and maintenance of an interstate fiber optic network; wireless personal communications services (PCS) and wireless broadband services; a tower network in a four-state region from Harrisonburg, Virginia, to the Harrisburg, York and Altoona, Pennsylvania, markets; Fiber-to-the-Home (FTTH) and Fiber-to-the-Premises (FTTP) solutions for builders and developers in the Middle Atlantic United States.

The Company files periodic reports with the Securities and Exchange Commission. The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, along with any amendments to these reports, are available to shareholders through the Company's Web site, www.shentel.com. This Web site also has recent news releases and other information potentially of interest to shareholders.

A copy of the Company's Annual Report on Form 10-K, without exhibits, may be obtained, without charge, by writing to Shenandoah Telecommunications Company, 500 Shentel Way, P.O. Box 459, Edinburg, Virginia, 22824, Attention: Secretary.

MARKET AND DIVIDEND INFORMATION

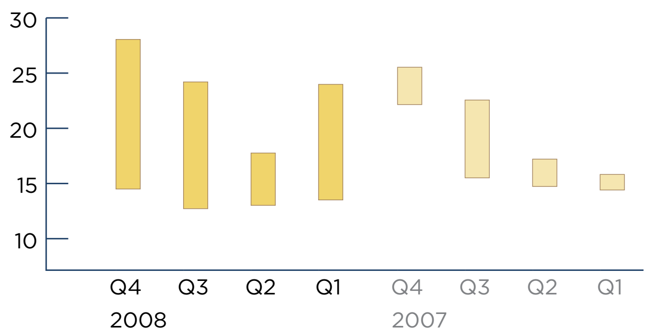
The Company's stock is traded on the Nasdaq Global Select Market under the symbol "SHEN." The following table shows the closing high and low sales prices per share of common stock as reported by the Nasdaq Global Select Market for each quarter during the last two years, adjusted for the three for one stock split issued by the Company in August 2007:

Shenandoah Telecommunications Company historically has paid annual cash dividends on or about December 1 of each year. The regular cash dividend was $0.30 per share in 2008 and $0.27 per share in 2007. Dividends are paid to Shenandoah Telecommunications Company shareholders from accumulated dividends paid to it by its operating subsidiaries.

2008	HIGH	LOW
Fourth Quarter	$ 28.05	$ 14.50
Third Quarter	24.20	12.72
Second Quarter	17.76	13.02
First Quarter	23.98	13.51

2007	HIGH	LOW
Fourth Quarter	$ 25.53	$ 22.15
Third Quarter	22.56	15.51
Second Quarter	17.21	14.73
First Quarter	15.82	14.41

SHARE PRICE



As of February 24, 2009, there were approximately 4,244 holders of record of the Company's common stock.

Corporate Headquarters
Shenandoah Telecommunications Company
500 Shentel Way
PO Box 459
Edinburg, Virginia 22824

Shareholders' Questions & Stock Transfers
Call (540) 984-5200
Transfer Agent – Common Stock
Shenandoah Telecommunications Company
PO Box 459
Edinburg, Virginia 22824

Independent Auditor
KPMG LLP
1021 East Cary Street
Richmond, Virginia 23219

This Annual Report to the Shareholders contains forward-looking statements. 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, but are not limited to: changes in the interest rate environment; management's business strategy; national, regional and local market conditions; and legislative and regulatory conditions. Readers should not place undue reliance on forward-looking statements which reflect management's view only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances, except as required by law.

SHENANDOAH TELECOMMUNICATIONS COMPANY & SUBSIDIARIES

Shenandoah Personal Communications Company
Shenandoah Telephone Company
Shentel Converged Services, Inc.
Shenandoah Mobile Company
Shentel Cable Company
Shenandoah Cable Television Company
Shenandoah Long Distance Company
Shenandoah Network Company
ShenTel Communications Company
ShenTel Service Company
Shentel Management Company

This list comprises all subsidiaries of Shenandoah Telecommunications Company, and all are incorporated in the Commonwealth of Virginia.

We must serve well to prosper — We must prosper to serve well

500 Shentel Way
PO Box 459
Edinburg, VA 22824
1.800.SHENTEL
www.shentel.com