

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No.: 000-09881



SHENANDOAH TELECOMMUNICATIONS COMPANY

(Exact name of registrant as specified in its charter)

VIRGINIA

(State or other jurisdiction of incorporation or organization)

54-1162807

(I.R.S. Employer Identification No.)

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares of the registrant's common stock outstanding on April 24, 2014 was 24,096,146.

SHENANDOAH TELECOMMUNICATIONS COMPANY
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SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	March 31, 2014	December 31, 2013
Current Assets		
Cash and cash equivalents	\$ 53,681	\$ 38,316
Accounts receivable, net	25,538	25,824
Income taxes receivable	7,745	16,576
Materials and supplies	8,577	10,715
Prepaid expenses and other	5,626	5,580
Deferred income taxes	1,169	963
Total current assets	102,336	97,974
Investments, including \$2,544 and \$2,528 carried at fair value	9,463	9,332
Property, plant and equipment, net	405,729	408,963
Other Assets		
Intangible assets, net	69,991	70,816
Deferred charges and other assets, net	9,076	9,921
Net other assets	79,067	80,737
Total assets	\$ 596,595	\$ 597,006

See accompanying notes to unaudited condensed consolidated financial statements.

(Continued)

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31, 2014	December 31, 2013
Current Liabilities		
Current maturities of long-term debt	\$ 11,500	\$ 5,750
Accounts payable	5,727	12,604
Advanced billings and customer deposits	12,042	11,661
Accrued compensation	2,633	4,192
Accrued liabilities and other	9,242	9,787
Total current liabilities	41,144	43,994
Long-term debt, less current maturities	218,500	224,250
Other Long-Term Liabilities		
Deferred income taxes	72,202	74,547
Deferred lease payable	6,393	6,156
Asset retirement obligations	6,611	6,485
Other liabilities	8,137	7,259
Total other liabilities	93,343	94,447
Commitments and Contingencies		
Shareholders' Equity		
Common stock	27,783	26,759
Accumulated other comprehensive income	2,247	2,594
Retained earnings	213,578	204,962
Total shareholders' equity	243,608	234,315
Total liabilities and shareholders' equity	\$ 596,595	\$ 597,006

See accompanying notes to unaudited condensed consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME*(in thousands, except per share amounts)*

	Three Months Ended March 31,	
	2014	2013
Operating revenues	\$ 80,452	\$ 76,010
Operating expenses:		
Cost of goods and services, exclusive of depreciation and amortization shown separately below	32,236	30,700
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	17,149	16,129
Depreciation and amortization	15,387	13,972
Total operating expenses	64,772	60,801
Operating income	15,680	15,209
Other income (expense):		
Interest expense	(2,048)	(2,152)
Gain (loss) on investments, net	(18)	148
Non-operating income, net	628	520
Income before income taxes	14,242	13,725
Income tax expense	5,626	5,374
Net income	\$ 8,616	\$ 8,351
Other comprehensive income:		
Unrealized gain (loss) on interest rate hedge, net of tax	(347)	532
Comprehensive income	\$ 8,269	\$ 8,883
Earnings per share:		
Basic and diluted earnings per share	\$ 0.36	\$ 0.35
Weighted average shares outstanding, basic	24,059	23,973
Weighted average shares, diluted	24,221	24,032

See accompanying notes to unaudited condensed consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except per share amounts)

	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2012	23,962	\$ 24,688	\$ 184,023	\$ (863)	\$ 207,848
Net income	-	-	29,586	-	29,586
Other comprehensive income, net of tax	-	-	-	3,457	3,457
Dividends declared (\$0.36 per share)	-	-	(8,647)	-	(8,647)
Dividends reinvested in common stock	20	475	-	-	475
Stock based compensation	-	1,938	-	-	1,938
Common stock issued through exercise of incentive stock options	66	1,186	-	-	1,186
Common stock issued for share awards	68	-	-	-	-
Common stock issued	1	10	-	-	10
Common stock repurchased	(77)	(1,600)	-	-	(1,600)
Net excess tax benefit from stock options exercised	-	62	-	-	62
Balance, December 31, 2013	24,040	\$ 26,759	\$ 204,962	\$ 2,594	\$ 234,315
Net income	-	-	8,616	-	8,616
Other comprehensive loss, net of tax	-	-	-	(347)	(347)
Stock based compensation	-	1,147	-	-	1,147
Stock options exercised	50	1,110	-	-	1,110
Common stock issued for share awards	55	-	-	-	-
Common stock issued	1	2	-	-	2
Common stock repurchased	(50)	(1,540)	-	-	(1,540)
Net excess tax benefit from stock options exercised	-	305	-	-	305
Balance, March 31, 2014	24,096	\$ 27,783	\$ 213,578	\$ 2,247	\$ 243,608

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31,	
	2014	2013
Cash Flows From Operating Activities		
Net income	\$ 8,616	8,351
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,556	12,808
Amortization	831	1,164
Provision for bad debt	234	453
Stock based compensation expense	1,147	425
Excess tax benefits on stock awards	(305)	(30)
Deferred income taxes	(2,013)	(1,394)
Net (gain) loss on disposal of equipment	(425)	100
Realized (gain) loss on disposal of investments	-	(3)
Unrealized (gain) loss on investments	29	(93)
Net gains from patronage and equity investments	(163)	(171)
Other	(12)	696
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	52	230
Materials and supplies	2,138	2,603
Income taxes receivable	8,831	2,466
Increase (decrease) in:		
Accounts payable	(384)	(2,815)
Deferred lease payable	237	318
Other prepaids, deferrals and accruals	(772)	(2,399)
Net cash provided by operating activities	\$ 32,597	\$ 22,709
Cash Flows from Investing Activities		
Purchase and construction of property, plant, and equipment	(17,196)	(26,024)
Proceeds from sale of assets	-	25
Cash received from sales of equipment	84	128
Purchase of investment securities	-	(12)
Proceeds from sale of investment securities	3	45
Net cash used in investing activities	\$ (17,109)	\$ (25,838)

(Continued)

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31,	
	2014	2013
Cash Flows From Financing Activities		
Principal payments on long-term debt	\$ -	\$ (739)
Excess tax benefits on stock awards	305	30
Repurchases of stock	(1,540)	(155)
Proceeds from sale of stock	1,112	2
Net cash used in financing activities	\$ (123)	\$ (862)
Net increase (decrease) in cash and cash equivalents	\$ 15,365	\$ (3,991)
Cash and cash equivalents:		
Beginning	38,316	71,086
Ending	<u>\$ 53,681</u>	<u>\$ 67,095</u>
Supplemental Disclosures of Cash flow Information		
Cash payments for:		
Interest	<u>\$ 1,954</u>	<u>\$ 2,171</u>
Income taxes (refunded) paid, net	<u>\$ (1,192)</u>	<u>\$ 4,302</u>

During the first three months of 2013, the Company traded in certain PCS equipment and received credits of \$3.2 million against the purchase price of new equipment.

At December 31, 2013, accounts payable included approximately \$7.6 million associated with capital expenditures related to the Network Vision project. These payables were disbursed during the three months ended March 31, 2014.

See accompanying notes to unaudited condensed consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. Basis of Presentation**

The interim condensed consolidated financial statements of Shenandoah Telecommunications Company and Subsidiaries (collectively, the “Company”) are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the interim results have been reflected therein. All such adjustments were of a normal and recurring nature. These statements should be read in conjunction with the consolidated financial statements and related notes in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. The balance sheet information at December 31, 2013 was derived from the audited December 31, 2013 consolidated balance sheet. Operating revenues and income from operations for any interim period are not necessarily indicative of results that may be expected for the entire year.

2. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in thousands):

	March 31, 2014	December 31, 2013
Plant in service	\$ 654,586	\$ 633,480
Plant under construction	13,136	23,181
	667,722	656,661
Less accumulated amortization and depreciation	261,993	247,698
Net property, plant and equipment	<u>\$ 405,729</u>	<u>\$ 408,963</u>

3. Earnings per share

Basic net income per share was computed on the weighted average number of shares outstanding. Diluted net income per share was computed under the treasury stock method, assuming the conversion as of the beginning of the period, for all dilutive stock options. Of 676 thousand and 725 thousand shares and options outstanding at March 31, 2014 and 2013, respectively, 96 thousand and 341 thousand were anti-dilutive, respectively. These shares and options have been excluded from the computations of diluted earnings per share for their respective period. There were no adjustments to net income for either period.

4. Investments Carried at Fair Value

Investments include \$2.5 million of investments carried at fair value at both March 31, 2014 and December 31, 2013, consisting of equity, bond and money market mutual funds. These investments were acquired under a rabbi trust arrangement related to a non-qualified supplemental retirement plan maintained by the Company. During the three months ended March 31, 2014, the Company recognized \$45 thousand in dividend and interest income from investments and recorded net unrealized losses of \$29 thousand on these investments. Fair values for these investments held under the rabbi trust were determined by Level 1 quoted market prices for the underlying mutual funds.

5. Financial Instruments

Financial instruments on the consolidated balance sheets that approximate fair value include: cash and cash equivalents, receivables, investments carried at fair value, payables, accrued liabilities, interest rate swaps and variable rate long-term debt.

6. Derivative Instruments, Hedging Activities and Accumulated Other Comprehensive Income

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

The Company entered into a pay-fixed, receive-variable interest rate swap of \$63.3 million of notional principal in August 2010. This interest rate swap was not designated as a cash flow hedge. Changes in the fair value of interest rate swaps not designated as cash flow hedges are recorded in interest expense each reporting period. The change in fair value recorded in interest expense for the three months ended March 31, 2013 was a decrease of \$104 thousand. This swap expired in July 2013.

The Company entered into a pay-fixed, receive-variable interest rate swap of \$174.6 million of notional principal in September 2012. This interest rate swap was designated as a cash flow hedge. The total outstanding notional amount of cash flow hedges was \$174.6 million as of March 31, 2014.

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

Amounts reported in accumulated other comprehensive income related to the interest rate swap designated and that qualifies as a cash flow hedge are reclassified to interest expense as interest payments are made on the Company's variable-rate debt. As of March 31, 2014, the Company estimates that \$1.6 million will be reclassified as an increase to interest expense during the next twelve months due to the interest rate swap since the fixed interest rate paid on the hedge exceeds the variable interest rate on the debt.

The table below presents the fair value of the Company's derivative financial instruments as well as its classification on the consolidated balance sheet as of March 31, 2014 and December 31, 2013 (in thousands; amounts in parentheses indicate debits):

	Balance Sheet Location	Derivatives	
		Fair Value as of	
		March 31, 2014	December 31, 2013
Derivatives designated as hedging instruments:			
Interest rate swaps	Accrued liabilities and other	\$ 1,639	\$ 1,590
	Deferred charges and other assets net	(5,396)	(5,926)
Total derivatives designated as hedging instruments		\$ (3,757)	\$ (4,336)

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

The table below presents change in accumulated other comprehensive income by component for the three months ended March 31, 2014 (in thousands; amounts in parentheses indicate debits):

	Gains and (Losses) on Cash Flow Hedges	Income Taxes	Accumulated Other Comprehensive Income (Loss)
	<u> </u>	<u> </u>	<u> </u>
Balance as of December 31, 2013	\$ 4,336	\$ (1,742)	\$ 2,594
Other comprehensive income before reclassifications	(1,002)	401	(601)
Amounts reclassified from accumulated other comprehensive income (to interest expense)	423	(169)	254
Net current period other comprehensive income	<u>(579)</u>	<u>232</u>	<u>(347)</u>
Balance as of March 31, 2014	<u>\$ 3,757</u>	<u>\$ (1,510)</u>	<u>\$ 2,247</u>

7. Segment Information

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 three reportable segments, which the Company operates and manages as strategic business units organized by lines of business: (1) Wireless, (2) Cable, and (3) Wireline. A fourth segment, Other, primarily includes Shenandoah Telecommunications Company, the parent holding company.

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

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

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

Effective for fiscal year 2014, our segment presentations were updated to reflect two changes. First, in late 2013, the Company restructured its management team to primarily align its organization with its operating segments (Wireless, Cable and Wireline), rather than on a functional basis (sales and marketing, operations and engineering). As part of this restructuring, the Company determined that the operations associated with its video product offered in Shenandoah County, Virginia, would be included in the Wireline segment. The video services offered in Shenandoah County share much of the network which the regulated telephone company uses to serve its customers. These services had previously been included in the Cable segment.

Second, primarily as a result of the restructuring described above, the Company's allocations of certain shared general and administrative expenses were updated to reflect how our senior management team makes financial decisions and manages resources. Since the Vice Presidents managing the operating segments do not directly control these expenses, the Company has chosen to record these at the holding company. As a result, certain costs, including finance and accounting, executive management, legal, and human resources, are now recorded to the Other segment as corporate costs. In this way, segment performance presents a clearer picture of the trends in an individual segment's profitability.

The segment information provided below has been updated to reflect these presentation changes for all periods presented.

Three months ended March 31, 2014

(in thousands)

	Wireless	Cable	Wireline	Other	Eliminations	Consolidated Totals
External revenues						
Service revenues	\$ 47,232	\$ 17,424	\$ 5,100	\$ -	\$ -	\$ 69,756
Other	2,756	3,030	4,910	-	-	10,696
Total external revenues	49,988	20,454	10,010	-	-	80,452
Internal revenues	1,091	26	5,765	-	(6,882)	-
Total operating revenues	51,079	20,480	15,775	-	(6,882)	80,452
Operating expenses						
Costs of goods and services, exclusive of depreciation and amortization shown separately below						
	18,657	12,390	7,482	-	(6,293)	32,236
Selling, general and administrative, exclusive of depreciation and amortization shown separately below						
	8,432	4,646	1,244	3,416	(589)	17,149
Depreciation and amortization	7,196	5,404	2,697	90	-	15,387
Total operating expenses	34,285	22,440	11,423	3,506	(6,882)	64,772
Operating income (loss)	\$ 16,794	\$ (1,960)	\$ 4,352	\$ (3,506)	\$ -	\$ 15,680

Three months ended March 31, 2013

(in thousands)

	Wireless	Cable	Wireline	Other	Eliminations	Consolidated Totals
External revenues						
Service revenues	\$ 44,065	\$ 16,163	\$ 5,117	\$ -	\$ -	\$ 65,345
Other	3,019	2,301	5,345	-	-	10,665
Total external revenues	47,084	18,464	10,462	-	-	76,010
Internal revenues	1,073	49	4,639	-	(5,761)	-
Total operating revenues	48,157	18,513	15,101	-	(5,761)	76,010
Operating expenses						
Costs of goods and services, exclusive of depreciation and amortization shown separately below						
	17,530	11,222	7,166	-	(5,218)	30,700
Selling, general and administrative, exclusive of depreciation and amortization shown separately below						
	7,887	4,425	1,361	2,999	(543)	16,129
Depreciation and amortization	6,028	5,205	2,731	8	-	13,972
Total operating expenses	31,445	20,852	11,258	3,007	(5,761)	60,801
Operating income (loss)	\$ 16,712	\$ (2,339)	\$ 3,843	\$ (3,007)	-	\$ 15,209

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

	Three Months Ended March 31,	
	2014	2013
Total consolidated operating income	\$ 15,680	\$ 15,209
Interest expense	(2,048)	(2,152)
Non-operating income (expense), net	610	668
Income before income taxes	\$ 14,242	\$ 13,725

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

	March 31, 2014	December 31, 2013
Wireless	\$ 215,734	\$ 229,038
Cable	209,320	199,184
Wireline	87,777	92,455
Other	428,761	435,804
Combined totals	941,592	956,481
Inter-segment eliminations	(344,997)	(359,475)
Consolidated totals	<u>\$ 596,595</u>	<u>\$ 597,006</u>

8. Income Taxes

The Company files U.S. federal income tax returns and various state and local income tax returns. With few exceptions, years prior to 2010 are no longer subject to examination. The Company is under audit in the state of Maryland for the 2009, 2010 and 2011 tax years, and in the state of Pennsylvania for the 2009 tax year. No other state or federal income tax audits were in process as of March 31, 2014.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan" and similar expressions as they relate to Shenandoah Telecommunications Company or its management are intended to identify these forward-looking statements. All statements regarding Shenandoah Telecommunications Company's expected future financial position and operating results, business strategy, financing plans, forecasted trends relating to the markets in which Shenandoah Telecommunications Company operates and similar matters are forward-looking statements. We cannot assure you that the Company's expectations expressed or implied in these forward-looking statements will turn out to be correct. The Company's actual results could be materially different from its expectations because of various factors, including those discussed below and under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2013. The following management's discussion and analysis should be read in conjunction with the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2013, including the financial statements and related notes included therein.

General

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

- * The Wireless segment provides digital wireless service to a portion of a four-state area covering the region from Harrisburg, York and Altoona, Pennsylvania, to Harrisonburg, Virginia, as a Sprint PCS Affiliate. This segment also owns cell site towers built on leased land, and leases space on these towers to both affiliates and non-affiliated service providers.
- * The Cable segment provides video, internet and voice services in franchise areas in portions of Virginia, West Virginia and western Maryland, and leases fiber optic facilities throughout its service area. It does not include video, internet and voice services provided to customers in Shenandoah County, Virginia.
- * The Wireline segment provides regulated and unregulated voice services, DSL internet access, and long distance access services throughout Shenandoah County and portions of Rockingham, Frederick, Warren and Augusta counties, Virginia. The segment also provides video services in portions of Shenandoah County, and leases fiber optic facilities throughout the northern Shenandoah Valley of Virginia, northern Virginia and adjacent areas along the Interstate 81 corridor, including portions of West Virginia and Maryland.
- * A fourth segment, Other, primarily includes Shenandoah Telecommunications Company, the parent holding company.

Effective for fiscal year 2014, our segment presentations were updated to reflect two changes. First, in late 2013, the Company restructured its management team to primarily align its organization with its operating segments (Wireless, Cable and Wireline), rather than on a functional basis (sales and marketing, operations and engineering). As part of this restructuring, the Company determined that the operations associated with its video product offered in Shenandoah County, Virginia, would be included in the Wireline segment. The video services offered in Shenandoah County share much of the network which the regulated telephone company uses to serve its customers. These services had previously been included in the Cable segment.

Second, primarily as a result of the restructuring described above, the Company's allocations of certain shared general and administrative expenses were updated to reflect how our senior management team makes financial decisions and manages resources. Since the Vice Presidents managing the operating segments do not directly control these expenses, the Company has chosen to record these at the holding company. As a result, certain costs, including finance and accounting, executive management, legal, and human resources, are now recorded to the Other segment as corporate costs. In this way, segment performance presents a clearer picture of the trends in an individual segment's profitability.

The segment information provided below has been updated to reflect these presentation changes for all periods presented.

Results of Operations

Three Months Ended March 31, 2014 Compared with the Three Months Ended March 31, 2013

Consolidated Results

The Company's consolidated results from continuing operations for the first quarters of 2014 and 2013 are summarized as follows:

(in thousands)	Three Months Ended March 31,		Change	
	2014	2013	\$	%
Operating revenues	\$ 80,452	\$ 76,010	\$ 4,442	5.8
Operating expenses	64,772	60,801	3,971	6.5
Operating income	15,680	15,209	471	3.1
Interest expense	2,048	2,152	(104)	(4.8)
Other income (expense)	610	668	(58)	(8.7)
Income before taxes	14,242	13,725	517	3.8
Income tax expense	5,626	5,374	252	4.7
Net income	\$ 8,616	\$ 8,351	\$ 265	3.2

Operating revenues

For the three months ended March 31, 2014, operating revenues increased \$4.4 million, or 5.8%. Wireless segment revenues increased \$2.9 million compared to the first quarter of 2013. Net postpaid service revenues increased \$1.2 million, driven by data fees and 4.3% year-over-year growth in average postpaid subscribers. Net prepaid service revenues grew \$2.0 million, or 21.9%, due to improved product mix and 5.3% growth in average prepaid subscribers over 2013. Cable segment revenue grew \$2.0 million, reflecting 5.8% growth in average subscriber counts and an increase in revenue per subscriber. Wireline segment revenue increased \$0.7 million, including a \$1.0 million increase in affiliate revenue, which is eliminated in consolidation.

Operating expenses

Total operating expenses were \$64.8 million in the first quarter of 2014 compared to \$60.8 million in the prior year period. Cost of goods sold increased \$1.5 million, including an increase of \$0.8 million in maintenance costs and \$0.6 million in network costs. Selling, general and administrative expenses increased \$1.0 million, primarily due to advertising and commissions costs to add new customers. Depreciation and amortization expense increased \$1.4 million, primarily due to completion of the Network Vision upgrade project.

Interest and other income (expense)

Interest expense declined \$0.1 million from the prior year period. During the first quarter of 2013, the company recorded \$0.1 million of interest expense charges to reflect changes in the fair value of an interest rate swap not designated as cash flow hedge. The swap expired in July 2013, and no such charges were recorded during the first quarter of 2014.

Income tax expense

The Company's effective tax rate increased from 39.2% in the quarter ended March 31, 2013 to 39.5% in the 2014 quarter.

Net income

For the three months ended March 31, 2014, net income increased \$0.3 million, or 3.2%, primarily reflecting growth in subscriber counts and revenue per subscriber in both the wireless and cable segments.

Wireless

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

PCS receives revenues from Sprint for postpaid and prepaid subscribers that obtain service in PCS's network coverage area. PCS relies on Sprint to provide timely, accurate and complete information to record the appropriate revenue for each financial period. Through July 31, 2013, postpaid revenues received from Sprint were recorded net of certain fees totaling 20% of net postpaid billed revenue retained by Sprint. These fees included an 8% management fee and a 12% net service fee. Effective August 1, 2013, the net service fee increased to 14%. The management fee remained unchanged at 8%. Sprint also retains a 6% management fee on prepaid revenues.

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

	March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
Retail PCS Subscribers - Postpaid	275,025	273,721	263,957	262,892
Retail PCS Subscribers - Prepaid	138,537	137,047	134,404	128,177
PCS Market POPS (000) (1)	2,402	2,397	2,390	2,390
PCS Covered POPS (000) (1)	2,072	2,067	2,058	2,057
CDMA Base Stations (sites)	526	526	521	516
Towers	153	153	151	150
Non-affiliate cell site leases (2)	206	217	218	216

	Three Months Ended March 31,	
	2014	2013
Gross PCS Subscriber Additions - Postpaid	15,585	15,824
Net PCS Subscriber Additions - Postpaid	1,304	1,065
Gross PCS Subscriber Additions - Prepaid	19,172	21,422
Net PCS Subscriber Additions - Prepaid	1,490	6,227
PCS Average Monthly Retail Churn % - Postpaid (3)	1.73%	1.87%
PCS Average Monthly Retail Churn % - Prepaid (3)	4.27%	3.87%

- 1) POPS refers to the estimated population of a given geographic area and is based on information purchased from third party sources. Market POPS are those within a market area which the Company is authorized to serve under its Sprint PCS affiliate agreements, and Covered POPS are those covered by the Company's network.
- 2) The decrease from December 31, 2013 to March 31, 2014 is a result of expected termination of Sprint iDEN leases associated with the former Nextel network. The Company expects its remaining 14 iDEN leases to terminate during the second quarter of 2014.
- 3) PCS Average Monthly Retail Churn is the average of the monthly subscriber turnover, or churn, calculations for the period.

Three Months Ended March 31, 2014 Compared with the Three Months Ended March 31, 2013

(in thousands)	Three Months Ended March 31,		Change	
	2014	2013	\$	%
Segment operating revenues				
Wireless service revenue	\$ 47,232	\$ 44,065	\$ 3,167	7.2
Tower lease revenue	2,565	2,562	3	0.1
Equipment revenue	1,197	1,331	(134)	(10.1)
Other revenue	85	199	(114)	(57.3)
Total segment operating revenues	51,079	48,157	2,922	6.1
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	18,657	17,530	1,127	6.4
Selling, general, and administrative, exclusive of depreciation and amortization shown separately below	8,432	7,887	545	6.9
Depreciation and amortization	7,196	6,028	1,168	19.4
Total segment operating expenses	34,285	31,445	2,840	9.0
Segment operating income	\$ 16,794	\$ 16,712	\$ 82	0.5

Operating revenues

Wireless service revenue increased \$3.2 million, or 7.2%, for the three months ended March 31, 2014, compared to the comparable 2013 period. Net postpaid service revenues increased \$1.2 million, driven by data fees and 4.3% year-over-year growth in average postpaid subscribers. As stated above, the net service fee increased from 12% of net billed revenues to 14% on August 1, 2013, reducing net postpaid service revenue by \$0.9 million, approximately \$0.3 million per month. Net prepaid service revenues grew \$2.0 million, or 21.9%, due to improved product mix and 5.3% growth in average prepaid subscribers over 2013.

Cost of goods and services

Cost of goods and services increased \$1.1 million, or 6.4%, in 2014 from the first quarter of 2013. Postpaid handset costs increased \$1.3 million, driven primarily by higher average cost per handset sold. Prepaid handset subsidies decreased \$0.6 million on lower volume of handsets sold. Network costs increased \$0.7 million, primarily due to increases in rent and backhaul costs associated with the Network Vision project. Maintenance expense grew \$0.4 million due to increases in maintenance contracts that support the upgraded wireless network. These increases were largely offset by a one-time \$0.4 million gain related to disposal costs for the Network Vision project and by lower costs to maintain prepaid subscribers.

Selling, general and administrative

Selling, general and administrative costs increased \$0.5 million, or 6.9%, in the first quarter of 2014 from the comparable 2013 period. Advertising costs grew \$0.4 million as the Company increased marketing of the 4G network that was completed in the fourth quarter of 2013. Commission costs grew \$0.4 million as growth in sales of higher-tier rate plans resulted in higher commission rates. Costs to add new prepaid subscribers decreased \$0.2 million due to lower volume of gross additions in the current year.

Depreciation and amortization

Depreciation and amortization increased \$1.2 million, or 19.4%, in the first quarter of 2014 over the comparable 2013 period. The growth is a result of timing differences in the accelerated depreciation of 3G assets in 2013.

Sprint Family Plan

The Company began selling Sprint's "Family" postpaid service plan in April 2014. Compared to other Sprint plans, the Family plan offers consumers lower monthly recurring service charges and it eliminates the handset subsidy. Although subsidized handset plans will continue to be offered, management expects that sales of the Family plan will result in changes in Service revenue, Equipment revenue and Cost of goods sold beginning in the second quarter 2014. The amount of the changes will depend on the number of consumers that select the Family plan instead of the subsidized handset plans.

Cable

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

As discussed at the beginning of Management's Discussion and Analysis, the following operating statistics of the Cable segment have been updated to reflect presentation changes for all periods presented.

	March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
Homes Passed (1)	170,711	170,470	169,035	168,475
Customer Relationships (2)				
Video customers	51,153	51,197	53,017	52,676
Non-video customers	19,517	18,341	16,220	15,709
Total customer relationships	70,670	69,538	69,237	68,385
Video				
Customers (3)	52,725	53,076	54,624	54,840
Penetration (4)	30.9%	31.1%	32.3%	32.6%
Digital video penetration (5)	57.5%	49.2%	39.6%	39.5%
High-speed Internet				
Available Homes (6)	168,573	168,255	164,789	163,273
Customers (3)	48,068	45,776	42,435	40,981
Penetration (4)	28.5%	27.2%	25.8%	25.1%
Voice				
Available Homes (6)	163,582	163,282	157,409	154,552
Customers (3)	15,799	14,988	12,795	12,262
Penetration (4)	9.7%	9.2%	8.1%	8.0%
Total Revenue Generating Units (7)	116,592	113,840	109,854	108,083
Fiber Route Miles	2,461	2,446	2,116	2,077
Total Fiber Miles (8)	70,332	69,715	40,686	39,418

- 1) Homes and businesses are considered passed (“homes passed”) if we can connect them to our distribution system without further extending the transmission lines. Homes passed is an estimate based upon the best available information.
- 2) Customer relationships represent the number of customers who receive at least one of our services.
- 3) Generally, a dwelling or commercial unit with one or more television sets connected to our distribution system counts as one video customer. Where services are provided on a bulk basis, such as to hotels and some multi-dwelling units, the revenue charged to the customer is divided by the rate for comparable service in the local market to determine the number of customer equivalents included in the customer counts shown above.
- 4) Penetration is calculated by dividing the number of customers by the number of homes passed or available homes, as appropriate.
- 5) Digital video penetration is calculated by dividing the number of digital video customers by total video customers. Digital video customers are video customers who receive any level of video service via digital transmission. A dwelling with one or more digital set-top boxes or digital adapters counts as one digital video customer.
- 6) Homes and businesses are considered available (“available homes”) if we can connect them to our distribution system without further extending the transmission lines and if we offer the service in that area.
- 7) Revenue generating units are the sum of video, voice and high-speed internet customers.
- 8) Fiber miles are measured by taking the number of fiber strands in a cable and multiplying that number by the route distance. For example, a 10 mile route with 144 fiber strands would equal 1,440 fiber miles. Fiber counts were recalculated after a fiber audit and deployment of enhanced mapping software in the fourth quarter of 2013.

Three Months Ended March 31, 2014 Compared with the Three Months Ended March 31, 2013

(in thousands)	Three Months Ended March 31,		Change	
	2014	2013	\$	%
Segment operating revenues				
Cable service revenue	\$ 17,424	\$ 16,163	\$ 1,261	7.8
Equipment and other revenue	3,056	2,350	706	30.0
Total segment operating revenues	20,480	18,513	1,967	10.6
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	12,390	11,222	1,168	10.4
Selling, general, and administrative, exclusive of depreciation and amortization shown separately below	4,646	4,425	221	5.0
Depreciation and amortization	5,404	5,205	199	3.8
Total segment operating expenses	22,440	20,852	1,588	7.6
Segment operating loss	\$ (1,960)	\$ (2,339)	\$ 379	16.2

Operating revenues

Cable segment service revenue increased \$1.3 million, or 7.8%, due to a 5.8% increase in average revenue generating units, a video rate increase in January 2014, and customers selecting higher-priced digital TV services and higher-speed data access packages.

Growth in equipment and other revenue was driven by an increase in customer premise equipment rents due to fewer discounts on digital access devices and increased rates on DVR boxes.

Operating expenses

Cable segment cost of goods and services increased \$1.2 million, or 10.4%, in the first quarter of 2014 over the comparable 2013 period. Cable programming costs increased \$0.5 million as the impact of rising rates per subscriber outpaced declining video subscriber counts. Staffing costs increased \$0.5 million due to incremental costs for health care claims and stock compensation. Maintenance costs increased \$0.3 million due to costs to support network growth.

Selling, general and administrative expenses grew \$0.2 million against the prior year quarter as a \$0.2 million reduction in current period commissions expense was more than offset by increases in costs related to customer service and administrative functions.

The increase in depreciation and amortization expense consists of \$0.5 million of higher depreciation expense on assets placed in service, offset by lower amortization on the customer base intangible asset recorded when the cable markets were acquired. The amortization of this asset declines on the anniversary of the acquisitions.

Wireline

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

As previously mentioned, the numbers below have been updated to reflect presentation changes for all periods presented. The following table shows selected operating statistics of the Wireline segment as of the dates shown.

	March 31, 2014	December 31, 2013	March 31, 2013	December 31, 2012
Telephone Access Lines	21,955	22,106	22,279	22,342
Long Distance Subscribers	9,773	9,851	10,116	10,157
Video Customers	6,222	6,342	6,633	6,719
DSL Subscribers	12,714	12,632	12,709	12,611
Fiber Route Miles	1,454	1,452	1,428	1,420
Total Fiber Miles (1)	85,327	85,135	84,365	84,107

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

Three Months Ended March 31, 2014 Compared with the Three Months Ended March 31, 2013

(in thousands)	Three Months Ended March 31,		Change	
	2014	2013	\$	%
Segment operating revenues				
Wireline service revenue	\$ 5,585	\$ 5,463	\$ 122	2.2
Access revenue	2,928	3,248	(320)	(9.9)
Facilities lease revenue	6,443	5,148	1,295	25.2
Equipment revenue	11	9	2	22.2
Other revenue	808	1,233	(425)	(34.5)
Total segment operating revenues	15,775	15,101	674	4.5
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	7,482	7,166	316	4.4
Selling, general, and administrative, exclusive of depreciation and amortization shown separately below	1,244	1,361	(117)	(8.6)
Depreciation and amortization	2,697	2,731	(34)	(1.2)
Total segment operating expenses	11,423	11,258	165	1.5
Segment operating income	\$ 4,352	\$ 3,843	\$ 509	13.2

Operating revenues

Total operating revenues in the quarter ended March 31, 2014 increased \$0.7 million against the comparable 2013 period. Increases in service revenue resulted primarily from contracts to lease fiber facilities and to provide the higher capacity backhaul required to support internet access to third parties. Facilities lease revenue increased \$1.0 million due primarily to affiliate billings associated with Network Vision upgrades on the Wireless segment. An additional \$0.3 million of facilities lease growth was generated by new service contracts with third parties. The decrease in Access revenue is the result of 2013 changes in certain intrastate access charges. Other revenue decreased \$0.4 million due to the conclusion of billings for transition services to buyers of Converged Services' properties (coupled with a corresponding decrease in costs of goods and services mentioned below).

Operating expenses

Operating expenses overall increased \$0.2 million in the quarter ended March 31, 2014, compared to the 2013 quarter. The increase in costs of goods and services resulted from the \$0.6 million increase in costs to provide services to affiliates and to other customers, related to the increases in revenue shown above. This increase was partially offset by a \$0.3 million decrease in cost of goods and services related to transition services for Converged Services properties.

Non-GAAP Financial Measure

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

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

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

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

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

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

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

The following table shows adjusted OIBDA for the three months ended March 31, 2014 and 2013. As previously mentioned, the numbers below have been updated to reflect presentation changes for all periods presented.

(in thousands)	Three Months Ended	
	March 31,	
	2014	2013
Adjusted OIBDA	\$ 31,729	\$ 29,635

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

Consolidated:

(in thousands)

	Three Months Ended March 31,	
	2014	2013
Operating income	\$ 15,680	\$ 15,209
Plus depreciation and amortization	15,387	13,972
Plus (gain) loss on asset sales	(366)	82
Plus share based compensation expense	1,028	372
Adjusted OIBDA	<u>\$ 31,729</u>	<u>\$ 29,635</u>

The following tables reconcile adjusted OIBDA to operating income by major segment for the three months ended March 31, 2014 and 2013:

Wireless Segment:

(in thousands)

	Three Months Ended March 31,	
	2014	2013
Operating income	\$ 16,794	\$ 16,712
Plus depreciation and amortization	7,196	6,028
Plus (gain) loss on asset sales	(352)	90
Plus share based compensation expense	216	108
Adjusted OIBDA	<u>\$ 23,854</u>	<u>\$ 22,938</u>

Cable Segment:

(in thousands)

	Three Months Ended March 31,	
	2014	2013
Operating loss	\$ (1,960)	\$ (2,339)
Plus depreciation and amortization	5,404	5,205
Plus gain on asset sales	(23)	(19)
Plus share based compensation expense	396	162
Adjusted OIBDA	<u>\$ 3,817</u>	<u>\$ 3,009</u>

Wireline Segment:
(in thousands)

	Three Months Ended March 31,	
	2014	2013
Operating income	\$ 4,352	\$ 3,843
Plus depreciation and amortization	2,697	2,731
Plus loss on asset sales	9	12
Plus share based compensation expense	175	78
Adjusted OIBDA	<u>\$ 7,233</u>	<u>\$ 6,664</u>

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 \$32.6 million of net cash from operations in the first three months of 2014, compared to \$22.7 million in the first three months of 2013. Cash provided by changes in net assets and liabilities increased \$9.7 million, driven by cash paid for taxes in 2013 and net tax refunds in 2014. Net income, adjusted for non-cash items such as depreciation, amortization, deferred income taxes and provisions for bad debt provided an additional \$0.2 million of growth in net cash provided by operations compared to the prior year period.

Indebtedness. As of March 31, 2014, the Company's indebtedness totaled \$230.0 million, with an annualized overall weighted average interest rate of approximately 3.40% after considering the impact of the swap contract. Patronage credits provided by the lender reduce the effective cost of our debt by approximately 69 basis points to an effective rate of approximately 2.71%. The Company has \$50 million available under the Revolving Facility, and the right to borrow up to \$100 million under one or more Incremental Term Loan facilities, subject to certain restrictions. The Revolving Facility and Incremental Term Loan Facility are both subject to the terms of the Restated and Amended Credit Agreement entered into in September 2012.

The Company is bound by certain financial covenants under its Credit Agreement. Noncompliance with any one or more of the debt covenants may have an adverse effect on our financial condition or liquidity in the event such noncompliance cannot be cured or should we be unable to obtain a waiver from the lenders. As of March 31, 2014, the Company was in compliance with all debt covenants, and ratios at March 31, 2014 were as follows:

	Actual	Covenant Requirement at March 31, 2014
Total Leverage Ratio	1.87	3.00 or Lower
Debt Service Coverage Ratio	11.70	2.50 or Higher
Equity to Assets Ratio	40.8%	32.5% or Higher

In accordance with the Credit Agreement, the total leverage and debt service coverage ratios noted above are based on the twelve months ended March 31, 2014. In addition to the covenants above, the Company is required to supply the lender with quarterly financial statements and other reports as defined by the Credit Agreement. The Company was in compliance with all reporting requirements at March 31, 2014.

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

Capital Commitments. Capital expenditures budgeted for 2014 total \$74 million. Approximately \$18 million of this will be spent to maintain current networks and an additional \$18 million will be spent on capacity, in wireless and cable, primarily to keep up with the growing demand for broadband. The budget contemplates \$22 million for network expansion. These expenditures are to build new cell sites, additional fiber routes, fiber to tower sites and to expand the cable network footprint. The budget includes \$16 million of success-based spending that will only be spent if there are new revenues to support the expenditures. This would include building a fiber extension to connect a new customer or premise equipment for a new cable customer. Approximately \$17 million of the \$74 million budget for 2014 are projects that were delayed from 2013.

For the first three months of 2014, the Company spent \$17.2 million on capital projects, compared to \$26.0 million in the comparable 2013 period. Spending related to Wireless projects accounted for \$9.7 million in the first three months of 2014, primarily for continued network expansion and upgrades to 800 megahertz voice service. Cable capital spending of \$4.6 million related to network expansion and upgrades to support new customers and services. Wireline capital projects cost \$1.7 million, driven primarily by fiber builds and switching/routing capability. Other projects totaled \$1.2 million, largely related to information technology projects.

The Company believes that cash on hand, cash flow from operations and borrowings expected to be available under the Company's existing credit facilities will provide sufficient cash to enable the Company to fund 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 twelve 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 and new market developments and opportunities.

The Company's cash flows from operations could be adversely affected by events outside the Company's control, including, without limitation, changes in overall economic conditions, regulatory requirements, changes in technologies, demand for its products, availability of labor resources and capital, changes in the Company's relationship with Sprint, and other conditions. The Wireless segment's operations are dependent upon Sprint's ability to execute certain functions such as billing, customer care, and collections; the subsidiary's ability to develop and implement successful marketing programs and new products and services; and the subsidiary's ability to effectively and economically manage other operating activities under the Company's agreements with Sprint. The Company's ability to attract and maintain a sufficient customer base, particularly in the acquired cable markets, 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

There were no recently issued accounting standards, not adopted by the Company as of March 31, 2014, that are expected to have a material impact on the Company's results of operations or financial condition.

ITEM 3. 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 March 31, 2014, the Company had \$230.0 million of variable rate debt outstanding, bearing interest at a rate of 2.67% as determined on a monthly basis. An increase in market interest rates of 1.00% would add approximately \$2.3 million to annual interest expense, excluding the effect of the interest rate swap. In 2012, the Company entered into a swap agreement that covers notional principal equal to approximately 76% of the outstanding variable rate debt through maturity in 2019, requiring the Company to pay a fixed rate of 1.13% and receive a variable rate based on one month LIBOR, to manage a portion of its interest rate risk. The 2012 swap currently adds approximately \$1.6 million to annual interest expense, based on the spread between the fixed rate and the variable rate currently in effect on our debt.

The second component of interest rate risk consists of temporary excess cash, which can be invested in various short-term investment vehicles such as overnight repurchase agreements and Treasury bills with a maturity of less than 90 days. The cash is currently invested in a combination of a commercial checking account that has limited interest rate risk, and three money market mutual funds that contain a total investment of \$20 million. 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. If the Company should borrow additional funds under any Incremental Term Loan Facility to fund its capital investment needs, repayment provisions would be agreed to at the time of each draw under the Incremental Term Loan Facility. If the interest rate margin on any draw exceeds by more than 0.25% the applicable interest rate margin on the Term Loan A Facility, the applicable interest rate margin on the Term Loan A Facility shall be increased to equal the interest rate margin on the Incremental Term Loan Facility. If interest rates increase generally, or if the rate applied under the Company's Incremental Term Loan Facility causes the Company's outstanding debt to be repriced, the Company's future interest costs could increase.

Management views market risk as having a potentially significant impact on the Company's results of operations, as future results could be adversely affected if interest rates were to increase significantly for an extended period, or if the Company's need for additional external financing resulted in increases to the interest rates applied to all of its new and existing debt. As of March 31, 2014, the Company has \$55.4 million of variable rate debt with no interest rate protection. The Company's investments in publicly traded stock and bond mutual funds under the rabbi trust, which are subject to market risks and could experience significant swings in market values, are offset by corresponding changes in the liabilities owed to participants in the Executive Supplemental Retirement Plan. General economic conditions affected by regulatory changes, competition or other external influences may pose a higher risk to the Company's overall results.

As of March 31, 2014, the Company has \$6.9 million of cost and equity method investments. Approximately \$4.2 million consists of illiquid required investments related to business, regulatory or lending arrangements necessary to access services. An additional \$0.3 million consists of investments in telephone-related business consortiums. The remaining \$2.4 million is invested in privately held companies through an investment with a portfolio manager. Most of the companies are in an early stage of development and significant increases in interest rates could have an adverse impact on their results, ability to raise capital and viability. The Company's market risk is limited to the funds previously invested.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our President and Chief Executive Officer, who is the principal executive officer, and the Vice President - Finance and Chief Financial Officer, who is the principal financial officer, conducted an evaluation of our disclosure controls and procedures, as defined by Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on criteria established in *Internal Control – Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, the Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2014.

Changes in Internal Control Over Financial Reporting

During the first quarter of 2014, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Other Matters Relating to Internal Control Over Financial Reporting

Under the Company's agreements with Sprint, Sprint provides the Company with billing, collections, customer care, certain network operations and other back-office services for the PCS operation. As a result, Sprint remits to the Company approximately 59% of the Company's total operating revenues. Due to this relationship, the Company necessarily relies on Sprint to provide accurate, timely and sufficient data and information to properly record the Company's revenues and accounts receivable, which underlie a substantial portion of the Company's periodic financial statements and other financial disclosures.

Information provided by Sprint includes reports regarding the subscriber accounts receivable in the Company's markets. Sprint provides the Company with monthly accounts receivable, billing and cash receipts information on a market level, rather than a subscriber level. The Company reviews these various reports to identify discrepancies or errors. Under the Company's agreements with Sprint, the Company is entitled to only a portion of the receipts, net of items such as taxes, government surcharges, certain allocable write-offs and the 22.0% of revenue retained by Sprint. Because of the Company's reliance on Sprint for financial information, the Company must depend on Sprint to design adequate internal controls with respect to the processes established to provide this data and information to the Company and Sprint's other Sprint PCS affiliate network partners. To address this issue, Sprint engages an independent registered public accounting firm to perform a periodic evaluation of these controls and to provide a "Report on Controls Placed in Operation and Tests of Operating Effectiveness" under guidance provided in Statements on Standards for Attestation Engagements No. 16 ("SSAE 16"). The report is provided to the Company on an annual basis and covers a nine-month period. The most recent report covered the period from January 1, 2013 to September 30, 2013. The most recent report indicated there were no material issues which would adversely affect the information used to support the recording of the revenues provided by Sprint related to the Company's relationship with them.

PART II. OTHER INFORMATION**ITEM 1A. Risk Factors**

As previously discussed, our actual results could differ materially from our forward-looking statements. Except as described below, there have been no material changes in the risk factors from those described in Part 1, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company maintains a dividend reinvestment plan (the "DRIP") for the benefit of its shareholders. When shareholders remove shares from the DRIP, the Company issues a certificate for whole shares, pays out cash for any fractional shares, and cancels the fractional shares purchased. In conjunction with exercises of stock options and distributions of vested share awards, the Company periodically repurchases shares from recipients to cover some of the exercise price of the options being exercised or taxes payable associated with the distribution of shares. The following table provides information about the Company's repurchases of shares during the three months ended March 31, 2014:

	Number of Shares Purchased	Average Price Paid per Share
January 1 to January 31	2	\$ 24.56
February 1 to February 28	16,228	\$ 26.15
March 1 to March 31	33,610	\$ 33.21
Total	49,840	\$ 30.91

ITEM 6. Exhibits

(a) The following exhibits are filed with this Quarterly Report on Form 10-Q:

10.43*	First Amendment dated January 30, 2014, to the Amended and Restated Credit Agreement among Shenandoah Telecommunications Company, CoBank, ACB, and other Lenders.
10.44*	Joinder Agreement dated January 30, 2014, to the Amended and Restated Credit Agreement among Shenandoah Telecommunications Company, CoBank, ACB, and other Lenders.
10.45*	Addendum XVI dated as of December 9, 2013, to Sprint PCS Management Agreement by and among Sprint Spectrum, L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC.
10.46*	Addendum XVII dated as of April 11, 2014, to Sprint PCS Management Agreement by and among Sprint Spectrum, L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications, LLC.
10.47*	2014 Stock Incentive Plan.
31.1*	Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification of Vice President - Finance and Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32*	Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350.
(101)	Formatted in XBRL (Extensible Business Reporting Language)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHENANDOAH TELECOMMUNICATIONS COMPANY
(Registrant)

/s/Adele M. Skolits

Adele M. Skolits

Vice President - Finance and Chief Financial Officer

Date: May 2, 2014

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
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* Filed herewith

FIRST AMENDMENT AGREEMENT

This **FIRST AMENDMENT AGREEMENT** (this “**Agreement**”) is made and entered into as of January 30, 2014 and effective as of January 1, 2014, by and among **SHENANDOAH TELECOMMUNICATIONS COMPANY**, a Virginia corporation (“**Borrower**”), each of the subsidiaries of Borrower identified as guarantors on the signature pages hereto (individually, a “**Guarantor**” and, collectively, the “**Guarantors**”; and together with Borrower, individually a “**Loan Party**” and, collectively, the “**Loan Parties**”), **COBANK, ACB**, as Administrative Agent (“**Administrative Agent**”), and each of the financial institutions executing this Agreement and identified as a Lender on the signature pages hereto (the “**Lenders**”).

RECITALS

WHEREAS, Borrower, the Guarantors and the Lenders have entered into that certain Amended and Restated Credit Agreement, dated as of September 14, 2012 (as amended, modified, supplemented, extended or restated from time to time, the “**Credit Agreement**”); and

WHEREAS, the Lenders have agreed to certain modifications to the Credit Agreement as more fully described herein.

NOW, THEREFORE, in consideration of the foregoing and the agreements set forth in this Agreement, each of Borrower, the Guarantors and the Lenders party hereto hereby agrees as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

SECTION 2. Amendments. In reliance on the representations and warranties of Borrower and the Guarantors contained in this Agreement and in connection with Borrower’s request therefor, and subject to the effectiveness of this Agreement as described below,

(A) Subsection 2.13 of the Credit Agreement is hereby amended by replacing each reference therein to “Hedge Agreements” with “Related Secured Hedge Agreements”.

(B) Subsection 3.4(G) of the Credit Agreement is hereby amended by adding to the end of such Subsection 3.4(G) “permitted pursuant to Subsection 3.14”.

(C) Subsection 3.14 of the Credit Agreement is hereby amended by amending and restating such Subsection 3.14 in its entirety as follows:

3.14 Hedge Agreements. The Loan Parties will not, and will not permit their respective Subsidiaries to, engage in, guaranty or grant a security interest to secure any speculative transactions or any transaction involving a Hedge Agreement except for Hedge Agreements entered into (i) as required by Subsection 2.13 or (ii) in the ordinary course of business solely for hedging (rather than speculative) purposes to provide protection to the Borrower or any other Loan Party against fluctuations in interest rates or currency exchange rates; provided however, that (X) no Loan Party or Subsidiary of any Loan Party shall enter into or incur any Hedge Agreement that constitutes or gives rise to a Swap Obligation, contingent or otherwise, if at the time it enters into or incurs such Swap Obligation it does not constitute an “eligible contract participant” as defined in the Commodity Exchange Act, and (Y) no Loan Party or Subsidiary of any Loan Party shall guaranty or grant a security interest to secure any Swap Obligation if at the time of such guaranty or grant it does not constitute an “eligible contract participant” as defined in the Commodity Exchange Act.

(D) Section 5 of the Credit Agreement is hereby amended by adding to such Section the following Subsection 5.22:

5.22 Qualified ECP Guarantor Status. The Borrower is, and will be, a Qualified ECP Guarantor on the date hereof and on each date it enters into a Hedge Agreement in accordance with the terms hereof.

(E) Subsection 6.1(C) of the Credit Agreement is hereby amended by adding to Subsection 6.1(C) a cross reference to Subsection 9.23 of the Credit Agreement.

(F) Subsection 6.9 of the Credit Agreement is hereby amended by adding to the end of Subsection 6.9 the following sentence:

Notwithstanding the foregoing, amounts received from any Loan Party shall not be applied to Secured Obligations that comprise Excluded Swap Obligations of such Loan Party (it being understood that in the event that any amount is applied to Secured Obligations other than Excluded Swap Obligations as a result of this sentence, the Administrative Agent shall make such adjustments as it determines in its sole discretion are appropriate to distributions pursuant to Related Secured Hedge Agreements from amounts received from “eligible contract participants” under the Commodity Exchange Act or any regulations promulgated thereunder to ensure, as nearly as possible, that the proportional aggregate recoveries with respect to Secured Obligations pursuant to Related Secured Hedge Agreements by the holders of any Excluded Swap Obligations are the same as the proportional aggregate recoveries with respect to other Secured Obligations Related Secured Hedge Agreements).

(G) Section 9 of the Credit Agreement is hereby amended by adding to such Section the following Subsection 9.23:

9.23 Keepwell. In addition to and not in derogation of any other obligation of any Loan Party under this Agreement or any other Loan Document, each Loan Party constituting a Qualified ECP Guarantor hereby jointly and severally absolutely and irrevocably undertakes to provide and guarantees such funds or other support to each other Loan Party as may be needed by such Loan Party from time to time to honor all of its obligations under any Loan Document including obligations with respect to Swap Obligations that would, in the absence of the agreement in this Section 9.23, otherwise constitute Excluded Swap Obligations as to such other Loan Party (but in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 9.23 or otherwise under this Agreement or any other Loan Document, as it relates to such other Loan Parties, voidable under applicable Law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The guarantees, obligations and undertakings of the Loan Parties constituting Qualified ECP Guarantors under this Section 9.23 shall remain in full force and effect until all obligations under any Loan Document have been indefeasibly paid and performed in full and all Commitments have expired or been terminated. The Loan Parties intend that this Section 9.23 constitute, and this Section 9.23 shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each other Loan Party for all purposes of the Commodity Exchange Act

(H) The definitions of “Hedge Agreement”, “Material Accounts”, “Obligations”, and “Secured Obligations” in Subsection 10.1 of the Credit Agreement are hereby amended and restated in their entirety as set forth below:

“Hedge Agreement” means (i) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (ii) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement.

“Material Accounts” means (A) all deposit, securities or other investment accounts in the name of the Loan Parties and their respective Subsidiaries (other than Excluded Subsidiaries) at Branch Banking and Trust Company (or such other financial institution with which Borrower maintains its primary banking relationship) and (B) all other deposit, securities or other investment accounts in the name of the Loan Parties and their respective Subsidiaries (other than Excluded Subsidiaries), in each case, to the extent the average daily or interdaily balance of such accounts for the most recently completed six calendar months exceeds \$1,000,000 individually or \$2,500,000 in the aggregate.

“**Obligations**” means all obligations, liabilities and Indebtedness of every nature of Borrower and all other Loan Parties under the Loan Documents from time to time owed to Administrative Agent, any Lender or any Indemnitee, including, the principal amount of all debts, claims and Indebtedness, accrued and unpaid interest and all indemnities, fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now or from time to time hereafter owing, due or payable, or any combination thereof, whether before or after the filing of a proceeding under the Bankruptcy Code or any Other Debtor Relief Law (whether or not allowed in such proceeding) by or against any Loan Party or any of its respective Subsidiaries; provided however, Excluded Swap Obligations of any Loan Party shall in any event be excluded from “Obligations” owing by such Loan Party.

“**Secured Obligation**” means (i) the Obligations and (ii) all obligations of Borrower or any other Loan Party under any Secured Hedge Agreement; provided however, Excluded Swap Obligations of any Loan Party shall in any event be excluded from “Secured Obligations” owing by such Loan Party.

(I) Subsection 10.1 of the Credit Agreement is hereby amended to add the following definitions:

“**Commodity Exchange Act**” means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“**Excluded Swap Obligation**” means, with respect to any Loan Party providing a guaranty of or granting a security interest to secure any Swap Obligation of another Loan Party, any Swap Obligation if, and to the extent that, all or a portion of the guaranty of such Loan Party of, or the grant by such Loan Party of a security interest to secure, such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Loan Party’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act (determined after giving effect to Subsection 9.23 and any other “keepwell, support or other agreements” for the benefit of such Loan Party) at the time the guaranty of or grant of such security interest by such Loan Party becomes effective with respect to such related Swap Obligation. For the avoidance of doubt, if a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty or grant of security interest is or becomes illegal.

“**Qualified ECP Guarantor**” means, in respect of any Swap Obligation, each Loan Party (a) that has total assets exceeding \$10,000,000 at the time of such Swap Obligation or any guaranty of or any granting of a security interest to secure obligations under such Swap Obligation becomes effective or (b) that otherwise constitutes an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another Person to qualify as an “eligible contract participant” at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“**Swap Obligation**” means, with respect to any Loan Party, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

SECTION 3. This Agreement shall not constitute a novation of the Credit Agreement or any other Loan Document. Except as expressly provided in this Agreement, the execution and delivery of this Agreement does not and will not amend, modify or supplement any provision of, or constitute a consent to or a waiver of any noncompliance with the provisions of, the Loan Documents, and the Loan Documents shall remain in full force and effect.

SECTION 4. Each of the Loan Parties hereby represents and warrants to the Lenders as follows:

(A) Such Loan Party has the right and power, and has taken all necessary action to authorize it, to execute, deliver and perform this Agreement in accordance with its terms. This Agreement has been duly executed and delivered by such Loan Party and is a legal, valid and binding obligation of it, enforceable against it in accordance with its terms.

(B) The execution, delivery and performance of this Agreement in accordance with its terms do not and will not, by the passage of time, the giving of notice or otherwise,

(1) require any Governmental Approval or violate any Applicable Law relating to such Loan Party;

(2) conflict with, result in a breach of or constitute a default under the organizational documents of such Loan Party, any material provision of any indenture, agreement or other instrument to which it is a party or by which it or any of its properties may be bound or any Governmental Approval relating to it; or

(3) result in or require the creation or imposition of any Lien (except as permitted by the Loan Documents) upon or with respect to any property now owned or hereafter acquired by such Loan Party.

(C) The representations and warranties of such Loan Party set forth in the Loan Documents are true and correct as of the date hereof as if made on the date hereof.

(D) No Event of Default under the Loan Documents has occurred and is continuing as of this date.

SECTION 5. Borrower hereby confirms and agrees that (a) each Security Document is and shall continue to be in full force and effect, and (b) the obligations secured by each such document include any and all obligations of the Loan Parties to the Secured Parties under the Credit Agreement.

SECTION 6. Each of the Guarantors hereby confirms and agrees that (a) its guarantee contained in the Credit Agreement and each Security Document to which it is a party is and shall continue to be in full force and effect, and (b) the obligations guaranteed or secured by each such applicable document include any and all obligations of the Loan Parties to the Secured Parties under the Credit Agreement.

SECTION 7. This Agreement shall be effective only upon receipt by the Administrative Agent of an execution counterpart hereto signed by Borrower, each Guarantor, and each Lender.

SECTION 8. Borrower agrees to pay to the Administrative Agent, on demand, all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent, including, without limitation, the reasonable fees and expenses of counsel retained by the Administrative Agent, in connection with the negotiation, preparation, execution and delivery of this Agreement and all other instruments and documents contemplated hereby.

SECTION 9. This Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original and shall be binding upon all parties and their respective permitted successors and assigns, and all of which taken together shall constitute one and the same agreement.

SECTION 10. This Agreement shall be governed by and shall be construed and enforced in accordance with all provisions of the Credit Agreement, including the governing law provisions thereof.

[Signatures Follow on Next Page.]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

**SHENANDOAH TELECOMMUNICATIONS
COMPANY, as Borrower**

By: _____ /s/
Name: Christopher E. French
Title: President

**SHENANDOAH CABLE TELEVISION LLC,
SHENTEL CABLE OF SHENANDOAH COUNTY,
LLC,
SHENANDOAH PERSONAL COMMUNICATIONS,
LLC,
SHENANDOAH MOBILE, LLC,
SHENTEL COMMUNICATIONS, LLC,
SHENTEL MANAGEMENT COMPANY,
each as a Guarantor**

By: _____ /s/
Name: Christopher E. French
Title: President

[Signatures continued on following page]

[Signatures continued from previous page]

COBANK, ACB, as Administrative Agent and a Lender

By: _____ /s/
Gloria Hancock
Vice President

[Signatures continued on following page]

[Signatures continued from previous page]

AgFirst Farm Credit Bank, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: John W. Burnside, Jr.
Title: Vice President

Farm Credit Bank of Texas, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Nicholas King
Title: Vice President

Farm Credit Services of America, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Ben Fogle
Title: Vice President

[Signatures continued on following page]

[Signatures continued from previous page]

Farm Credit Mid-America, FLCA, fka Farm Credit Services of Mid-America, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Ralph Bowman
Title: Vice President Capital Markets

United FCS, FLCA d/b/a FCS Commercial Finance Group, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Jeremy Voigts
Title: Vice President

GreenStone Farm Credit Services, ACA/FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Jeff Pavlik
Title: Vice President

[Signatures continued on following page]

[Signatures continued from previous page]

1st Farm Credit Services, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Dale A. Richardson
Title: Vice President, Capital Markets Group

MidAtlantic Farm Credit FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: William J. Rutta
Title: Vice President

AgStar Financial Services, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Troy Mostaert
Title: VP Capital Markets

[Signatures continued on following page]

[Signatures continued from previous page]

AgChoice Farm Credit, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Mark F. Kerstetter
Title: Vice President

Frontier Farm Credit, ACA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Stuart R. Hays
Title: Vice President

Northwest Farm Credit Services, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Mark Westfall
Title: Vice President

[Signatures continued on following page]

[Signatures continued from previous page]

Farm Credit West, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Ben Madonna
Title: Vice President

Badgerland Financial, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Terry A. McMahon
Title: Chief Credit Officer

American Ag Credit, FLCA, as a voting participant pursuant to Subsection 8.1(D) of the Credit Agreement

By: _____ /s/
Name: Edwin A. Adams, Jr.
Title: Vice President

JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this “**Joinder**”), dated as of January 30, 2014 and effective as of January 1, 2014, is among **SHENTEL CABLE OF SHENANDOAH COUNTY, LLC**, a Virginia limited liability company (“**New Subsidiary**”), **SHENANDOAH TELECOMMUNICATIONS COMPANY**, a Virginia corporation (“**Borrower**”), the Guarantors under the Credit Agreement (as hereinafter defined), the Grantors under the Pledge and Security Agreement (as defined in the Credit Agreement), and **CoBANK, ACB**, as Administrative Agent (“**Administrative Agent**”) under that certain Amended and Restated Credit Agreement, dated as of September 14, 2012, among Borrower, the Guarantors party thereto, Administrative Agent, CoBank, ACB, as a Lender, and such other Lenders as may from time to time become a party thereto (as amended, modified, extended or restated from time to time, the “**Credit Agreement**”). All of the defined terms in the Credit Agreement are incorporated herein by reference.

Borrower is required by Subsection 2.12 of the Credit Agreement to cause New Subsidiary to become a “Guarantor” and a “Loan Party” thereunder and to become a “Guarantor” and a “Grantor” under the Pledge and Security Agreement. New Subsidiary will obtain benefits as a result of the continued extension of credit to Borrower under the Credit Agreement, which benefits are hereby acknowledged, and, accordingly, desires to execute and deliver this Joinder. Therefore, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce the Lenders to continue to extend credit to Borrower under the Credit Agreement, New Subsidiary, Borrower, each existing Guarantor, each existing Grantor and Administrative Agent, for the benefit of the Secured Parties, hereby agree as follows:

1. New Subsidiary and Administrative Agent, on behalf of itself and the Lenders, hereby acknowledge, agree and confirm that, by New Subsidiary’s execution of this Joinder, New Subsidiary will be deemed to be a party to the Credit Agreement and a “Guarantor” and a “Loan Party” for all purposes of the Credit Agreement, including, Subsection 9.20 thereof, and the other Loan Documents, and shall have all of the obligations and rights of a Guarantor and a Loan Party thereunder as if it had executed the Credit Agreement and the other Loan Documents. New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Loan Documents, including, (i) all of the representations and warranties of a Loan Party set forth in Section 5 of the Credit Agreement, (ii) all of the affirmative and negative covenants set forth in Sections 2, 3 and 4 of the Credit Agreement, and (iii) the right of set off set forth in Subsection 6.7 of the Credit Agreement. Without limiting the generality of the foregoing terms of this paragraph 1, New Subsidiary hereby jointly and severally, together with the other Guarantors, unconditionally and irrevocably guarantees as primary obligor and not merely as surety the full and prompt payment when due, whether upon maturity, by acceleration or otherwise, of any and all Secured Obligations strictly in accordance with the terms thereof, on order, or demand, and that in the case of any extension of time of payment or renewal of any of the Secured Obligations of Borrower, the same will be promptly paid in full when due in accordance with the terms of such extension or renewal, all as provided in the Credit Agreement, including, Subsection 9.20 of the Credit Agreement.
-

2. New Subsidiary and Administrative Agent, on behalf of itself and the Lenders, hereby acknowledge, agree and confirm that, by its execution of this Joinder, New Subsidiary will be deemed to be a party to the Pledge and Security Agreement and a “Guarantor” and a “Grantor” for all purposes of the Pledge and Security Agreement and the other Loan Documents, and shall have all the obligations and rights of a Guarantor and a Grantor thereunder as if it had executed the Pledge and Security Agreement. New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Pledge and Security Agreement, including, all of the representations and warranties and all of the negative and affirmative covenants set forth in the Pledge and Security Agreement. Without limiting the generality of the foregoing terms of this paragraph 2, New Subsidiary hereby grants to Administrative Agent, for the benefit of the Secured Parties, a continuing security interest in its Collateral, all on the terms and subject to the conditions set forth in the Pledge and Security Agreement.
3. New Subsidiary acknowledges and confirms that it has received a copy of the Credit Agreement and the schedules and exhibits thereto and the Pledge and Security Agreement and the annexes and exhibits thereto. Each of the parties hereto acknowledges and agrees that the information on the schedules to the Credit Agreement and annexes to the Pledge and Security Agreement are hereby amended to provide the information shown on the attached Schedule A.
4. Except to the extent excluded pursuant to Section 2.3 of the Pledge and Security Agreement, each of the parties hereto acknowledges and confirms that the Equity Interests described in the Annex A to the attached Schedule A are part of the Equity Interests within the meaning of the Pledge and Security Agreement and are part of the Collateral and secure all of the Secured Obligations as provided in the Pledge and Security Agreement.
5. Each of Borrower, the existing Guarantors, and the existing Grantors confirms that all of its obligations under the Credit Agreement, the Pledge and Security Agreement, and the other Loan Documents are, and upon the New Subsidiary becoming a Guarantor and Grantor, shall continue to be, in full force and effect. The parties hereto confirm and agree that immediately upon the New Subsidiary becoming a Guarantor and Grantor the term “Obligations” and “Secured Obligations”, as used in the Credit Agreement, the Pledge and Security Agreement and the other Loan Documents, shall include all obligations of the New Subsidiary under the Credit Agreement, the Pledge and Security Agreement and under each other Loan Document.

6. Each of Borrower, New Subsidiary, the existing Guarantors and the existing Grantors agree that at any time and from time to time, upon the written request of Administrative Agent, they will execute and deliver such further documents and do such further acts and things as Administrative Agent may reasonably request in order to effect the purposes of this Joinder.
7. This Joinder may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.
8. This Joinder shall be governed by and shall be construed in accordance with the internal laws of the State of Colorado, without regard to conflicts of law principles that require or permit application of the laws of any other state or jurisdiction.
9. This Joinder shall be governed by and shall be construed and enforced in accordance with all provisions of the Credit Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of Borrower, New Subsidiary, the existing Guarantors, the existing Grantors and Administrative Agent, for the benefit of Administrative Agent and the other Secured Parties, has caused this Joinder to be duly executed by its authorized officer as of the day and year first above written.

**SHENANDOAH TELECOMMUNICATIONS
COMPANY**, as Borrower and a Grantor

By: _____ /s/
Name: Christopher E. French
Title: President

**SHENTEL CABLE OF SHENANDOAH COUNTY,
LLC**, as the New Subsidiary

By: _____ /s/
Name: Christopher E. French
Title: President

**SHENANDOAH CABLE TELEVISION, LLC,
SHENANDOAH PERSONAL COMMUNICATIONS,
LLC,
SHENANDOAH MOBILE, LLC,
SHENTEL MANAGEMENT COMPANY,
SHENTEL COMMUNICATIONS, LLC**, as existing
Guarantors and existing Grantors

By: _____ /s/
Name: Christopher E. French
Title: President

COBANK, ACB,
as Administrative Agent

By: _____ /s/
Name: Gloria Hancock
Title: Vice President

ADDENDUM XVI
TO
SPRINT PCS MANAGEMENT AGREEMENT

Manager: Shenandoah Personal Communications, LLC

Service Area: Altoona, PA #12
Hagerstown, MD-Chambersburg, PA-Martinsburg, WV #179
Harrisburg, PA #181
Harrisonburg, VA #183
Washington, DC (Jefferson County, WV only) #471
Winchester, VA #479
York-Hanover, PA #483

This Addendum XVI dated as of December 9, 2013, contains certain additional and supplemental terms and provisions to that certain Sprint PCS Management Agreement entered into as of November 5, 1999, by the same parties as this Addendum (or their predecessors in interest), which Management Agreement was initially amended by Addenda I-XV (as so amended, the "Management Agreement"). The terms and provisions of this Addendum control, supersede and amend any conflicting terms and provisions contained in the Management Agreement. Except for express modifications made in this Addendum, the Management Agreement continues in full force and effect.

Capitalized terms used and not otherwise defined in this Addendum have the meanings ascribed to them in the Management Agreement. Section and Exhibit references are to Sections and Exhibits of the Management Agreement unless otherwise noted.

This Addendum is effective on the date written above (the "Effective Date"). On the Effective Date, the Management Agreement is modified as follows:

I. Spectrum Availability in the Altoona, PA BTA. The Parties acknowledge that Sprint PCS has entered into a spectrum swap transaction with an unrelated third party in which Sprint PCS will transfer certain spectrum in the Altoona, PA BTA and receive in return certain alternative spectrum in the Altoona, PA BTA (the "Spectrum Swap"). The Spectrum Swap will not result in a net change to the amount of spectrum made available to Manager but will result in adjustment of the specific frequency ranges made available for Manager's use in the Altoona, PA BTA under this Agreement. Sprint PCS will notify Manager of the date the Spectrum Swap has been completed and received all necessary approvals (the "Spectrum Swap Effective Date"). The Spectrum Swap Effective Date is expected to occur in the first or second quarter of 2014. Following the Effective Date, but beginning no sooner than Jan.1, 2014, Sprint PCS will cause the re-tuning of Manager's equipment to the new frequencies. All costs and expenses charged by Sprint's vendor in connection with re-tuning of Manager's equipment shall be borne by Sprint and paid by Sprint directly to the vendor. Immediately upon the Spectrum Swap Effective Date: (i) the 1860-1865 MHz on the uplink and 1940-1945 MHz on the downlink spectrum ranges in the Altoona, PA BTA will no longer be available to Manager; and (ii) the following spectrum ranges will become available for use by Manager in the Altoona, PA Service Area with respect to CDMA and LTE: 1905-1910 MHz on the uplink and 1985-1990 MHz on the downlink.

2. Exclusivity. Upon the Spectrum Swap Effective Date, Section 2.3(a) of the Management Agreement is amended to read as follows:

2.3 Exclusivity

- (a) Subject only to the exceptions set forth in Section 2.3(d) Manager will be the only person or entity that is a manager, operator or provider of wireless mobility services for Sprint PCS and its Related Parties in the Service Area in the: (i) 1850-1865 MHz and 1870-1885 MHz spectrum ranges on the uplink and 1930-1945 and 1950-1965 MHz spectrum ranges on the downlink with respect to CDMA and LTE in the applicable Shentel Territory; provided, however, that with respect to the Altoona, PA BTA only, the applicable spectrum ranges for purposes of this Section 2.3(a)(i) are 1850-1860 MHz, 1870-1885MHz and 1905-1910 MHz spectrum ranges on the uplink and 1930-1940 and 1950-1965 and 1985-1990 MHz spectrum ranges on the downlink; (ii) the 1900 MHz PCS G-Block Spectrum Range, with respect to CDMA and LTE, effective upon the Network Vision Completion Date; and (iii) the former iDEN Block in the 800 MHz Spectrum Range (with respect to CDMA and LTE products and services only), subject to the limitations set forth below in this Section 2.3(a) and upon receipt of written approval from Sprint PCS. The amount of spectrum in the 800 MHz Spectrum Range made available to Manager by Sprint PCS may vary between BTAs based on re-banding schedules, conflicts with local incumbents, conflicts with residual iDEN usage, regulatory approvals, and other factors. Sprint PCS will notify Manager in writing of specific spectrum availability in each BTA as determined by Sprint PCS in its sole discretion as of the Network Vision Completion Date, and thereafter as additional portions of the 800 MHz Spectrum Range become available. Manager agrees to comply with all FCC rules related to interference mitigation during its management of spectrum in the 800 MHz Spectrum Range. The rights to manage, operate and provide wireless mobility services utilizing the spectrum ranges set forth in (i) - (iii) in the preceding sentence are collectively referred to as the "Exclusive Rights." Neither Sprint PCS nor any of its Related Parties will permit any other person or entity to manage, operate or provide wireless mobility services in violation of the Exclusive Rights for Sprint PCS and/or its Related Parties in the Service Area, except that Sprint PCS may enter into roaming arrangements with other parties. For purposes of this Section 2.3, "mobility" means the capability to sustain a continuous session (voice or data) throughout a broad geographic area by transferring the session from cell site to cell site as the mobile device moves within the geographic area. For purposes of clarification, Wi-Fi is not a wireless mobility service unless such service can be transferred from cell site to cell site.

3. Manager and Sprint PCS' Representations. Manager and Sprint PCS each represents and warrants that its respective execution, delivery and performance of its obligations described in this Addendum have been duly authorized by proper action of its governing body and do not and will not violate any material agreements to which it is a party. Each of Manager and Sprint PCS also represents and warrants that there are no legal or other claims, actions, counterclaims, proceedings or suits, at law or in arbitration or equity, pending or, to its knowledge, threatened against it, its Related Parties, officers or directors that question or may affect the validity of this Addendum, the execution and performance of the transactions contemplated by this Addendum or that party's right or obligation to consummate the transactions contemplated by this Addendum.

4. Reaffirmation of Sprint Agreements. Each of the undersigned reaffirms in their entirety, together with their respective rights and obligations thereunder, the Management Agreement, the Services Agreement, the Trademark and Service Mark License Agreements, and the Schedule of Definitions (as defined in the Management Agreement).

5. Counterparts. This Addendum may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed as of the date first above written.

SHENANDOAH PERSONAL
COMMUNICATIONS, LLC

By: /s/Christopher E. French
Name: Christopher E. French
Title: President

SPRINT SPECTRUM L.P.

By: /s/ Traci Jovanovic
Name: Traci Jovanovic
Title: Vice President

SPRINT COMMUNICATIO.N.S COMPANY, L.P.

By: /s/ Traci Jovanovic
Name: Traci Jovanovic
Title: Vice President

WIRELESSCO, L.P.

By: /s/ Traci Jovanovic
Name: Traci Jovanovic
Title: Vice President

APC PCS, LLC

By: /s/ Traci Jovanovic
Name: Traci Jovanovic
Title: Vice President

PhillieCo, L.P.

By: /s/ Traci Jovanovic
Name: Traci Jovanovic
Title: Vice President

ADDENDUM XVII
TO
SPRINT PCS MANAGEMENT AGREEMENT

Manager: Shenandoah Personal Communications, LLC

Service Area: Altoona, PA #12
Hagerstown, MD-Chambersburg, PA-Martinsburg, WV #179
Harrisburg, PA #181
Harrisonburg, VA #183
Washington, DC (Jefferson County, WV only) #471
Winchester, VA #479
York-Hanover, PA #483

This Addendum XVII dated as of April 11, 2014, contains certain additional and supplemental terms and provisions to that certain Sprint PCS Management Agreement entered into as of November 5, 1999, by the same parties as this Addendum (or their predecessors in interest), which Management Agreement was initially amended by Addenda I-XVI (as so amended, the “**Management Agreement**”). The terms and provisions of this Addendum control, supersede and amend any conflicting terms and provisions contained in the Management Agreement. Except for express modifications made in this Addendum, the Management Agreement continues in full force and effect.

Capitalized terms used and not otherwise defined in this Addendum have the meanings ascribed to them in the Management Agreement. Section and Exhibit references are to Sections and Exhibits of the Management Agreement unless otherwise noted.

This Addendum is effective on the date written above (the “Effective Date”).

On the Effective Date, the Management Agreement is modified as follows:

1. The last paragraph of Section 1.1 of the Management Agreement is amended to read as follows:

Subject to the terms and conditions of this agreement, including, without limitation, Sections 1.9, 9.5 and 12.1.2, Sprint PCS has the right to unfettered access to the Service Area Network to be constructed by Manager under this agreement. Except with respect to the payment obligations under Sections 1.4, 1.9.2, 1.10, 3.1.7, 3.8, 4.4, 9.3, 10.2, 10.5, 10.6, 10.8, 10.9, 12.1.2 and Article XIII of this agreement, Sections 2.1.1(d), 2.1.2(b), 3.2, 3.3, 3.4, 5.1.2, 3.5 and Article VI of the Services Agreement and any payments arising as a result of any default of the parties’ obligations under this agreement and the Services Agreement, the Fee Based on Billed Revenue described in Section 10.2.1 of this Agreement, the Prepaid Management Fee described in 10.2.7.3 of this Agreement, the LTE Fee described in Section 10.2.7.4 of this Agreement, the Command Center Fee described in Section 10.2.7.5 of this Agreement and the Net Service Fee, the Prepaid CPGA Fee, Prepaid CCPU Fees and LTE Data Core Services Fee described in the Services Agreement will constitute the only payments between the parties under the Management Agreement, the Services Agreement and the Trademark License Agreements.

2. A new Section 3.8 is hereby inserted into the Management Agreement:

3.8 INSTALLMENT BILLING

3.8.1. INSTALLMENT BILLING PROGRAM DESCRIPTION. Sprint PCS or one of its Related Parties is implementing an installment billing program that allows customers to purchase certain designated handsets, devices, tablets and potentially accessories (collectively, "Installment Products") from Sprint PCS on an installment payment basis ("Installment Billing Program"). Sprint PCS will periodically notify Manager of the products that are designated as Installment Products. Under the Installment Billing Program, customers must pay the full Suggested Retail Price ("SRP") (or another price determined by Sprint PCS in its sole discretion) for Installment Products through monthly installment payments or a combination of a down payment and monthly installment payments. The customer must execute a separate contract (the "Retail Installment Contract") in addition to the service agreement. Additionally, after a specified number of consecutive monthly installment payments in accordance with the terms of the Installment Billing Program, customers have the option to give back their current Installment Product in good working order as described in Section 3.8.5.2 below (if there are installment payments remaining), and execute a new Retail Installment Contract to obtain a new Installment Product. Only certain Qualified Service Plans, and Installment Products, in certain locations, and specific customers meeting specific requirements will be eligible for the Installment Billing Program, as specified by Sprint PCS in its sole discretion and periodically provided by Sprint PCS. Qualified Service Plans are valid postpaid service plans for Sprint PCS services that are offered to customers at the time the customer elects the Installment Billing Program. Prepaid service offerings are not considered Qualified Service Plans.

3.8.2. COMPENSATION.

3.8.2.1. Commissions. Neither Manager nor its distributors are entitled to any commissions or other compensation from Sprint PCS or the customer relating to the Retail Installment Contract except for the Installment Product compensation payable below.

3.8.2.2. Installment Product Compensation. Manager Inventory, Product Title Transfer. Manager and its distributors may fulfill Installment Products purchased by customers under the Installment Billing Program from products owned by Manager from Manager's inventory. Manager acknowledges that for an Installment Product provided to a customer executing a Retail Installment Billing Contract that is purchased from a Manager owned facility or from one of Manager's distributors, title and ownership of the Installment Product will transfer to the Sprint PCS designated Related Party immediately prior to the execution of the Retail Installment Billing Contract by the customer. Upon transfer of title and ownership of the Product from Manager to such Sprint PCS Related Party, provided that Manager or its distributor enters the transaction into the Sprint PCS systems, has provided the Installment Product to the customer, and has obtained an executed Retail Installment Billing Contract and collected the applicable sales tax from the customer and any down payments required, Sprint PCS will pay to Manager an amount equal to the SRP for the Installment Product, less any down payment collected by Manager or its distributor (the "Net Purchase Price"). Sprint PCS will pay Manager within 31-60 days of the title and ownership transfer to Sprint PCS. If for any reason the Installment Billing transaction is not consummated between the Sprint PCS Related Party and the customer, no transfer of title and ownership of the Product will occur, and no Installment Product compensation is due from Sprint PCS to Manager.

3.8.3. PRICING / DOWN PAYMENT. Sprint PCS will establish all terms related to the Installment Billing Program, including Installment Product installment billing pricing (for example SRP), down payment, finance terms (including length), and finance charge, if applicable. Manager may not alter the terms, or establish any additional terms related to the Installment Billing Program. If directed by Sprint PCS for applicable customers, Manager will collect a down payment established by Sprint PCS on certain Installment Products. Manager will retain the down payment, and the down payment will be applied against the amount Sprint PCS will reimburse Manager for under Section 3.8.2.2 above for the transfer of title and ownership of the Product.

3.8.4. SALES TAX AND SURCHARGES. Because the sale of the Installment Product to the Sprint PCS customer under the Installment Billing Program is a sale of a Sprint PCS Related Party owned product, Manager must collect or cause its distributors to collect sales tax on the Sprint PCS Related Party's behalf for the sale of the Installment Product. Manager or its distributor will calculate the appropriate sales tax based upon the jurisdiction in which the transaction occurs, and will remit the sales tax within 30 days to Sprint PCS as directed by Sprint PCS. Manager and its distributors will comply with all processes and procedures established by Sprint PCS related to such remittance. In addition to any of its other rights under the Agreement, Sprint PCS may collect reimbursement from Manager for any under-collection of sales tax within the applicable statute of limitations, as extended within any taxing jurisdictions, plus any interest and penalty that Sprint PCS is obligated to pay as a result of such under-collection.

In certain jurisdictions, Sprint PCS may require Manager to collect surcharges. Sprint PCS will periodically notify Manager of such jurisdictions. Manager will collect or cause its distributors to collect the surcharges from the customer at the rate and in the manner as directed by Sprint PCS. In addition to any of its other rights under the Agreement, Sprint PCS may collect reimbursement from Manager for any under-collection of such surcharges within the applicable statute of limitations, as extended, plus any interest and penalty that Sprint PCS is obligated to pay as a result of such under-collection.

3.8.5. RETAIL INSTALLMENT BILLING CONTRACTS. The Retail Installment Billing Contracts to be executed by customers will vary between jurisdictions. Manager will ensure that Manager's Facilities utilize the appropriate Retail Installment Billing Contracts supplied by Sprint PCS in the jurisdiction where such Facility is located, as directed by Sprint PCS. Manager must return executed Retail Installment Billing Contracts to Sprint PCS, as directed by Sprint PCS. If Manager fails to return the correct executed Retail Installment Billing Contract to Sprint PCS, in addition to any other remedies under the Agreement, Sprint PCS will not be required to reimburse Manager for the Installment Product price.

3.8.5.1. Ineligible Plans/ Ineligible Products. Only certain Services Plans are available for the Installment Billing Program, and only Installment Products are eligible for the Installment Billing Program. Manager must ensure that customers are activated on the proper Service Plans, and utilize only eligible Installment Products. If Manager activates a customer on an ineligible Service Plan or ineligible product, in addition to any other remedies under the Agreement, Sprint PCS will not be required to reimburse Manager for the product price.

3.8.5.2. Qualified Installment Billing Handset Upgrades. For a customer to upgrade their current handset under the Installment Billing Program, in addition to customer's meeting all eligibility requirements for a Qualified Installment Billing Handset Upgrade, customers who have remaining payments on their Retail Installment Billing Contracts will be required to Give Back their current handset to the Manager (the "Give Back Handset"), and execute a new Retail Installment Billing Contract. Manager will ensure that only upgrade eligible customers execute Retail Installment Billing Contracts. Manager will ensure that the Give Back Handset must power on and have no broken, cracked or missing pieces, and comply with any additional requirements on the handset established by Sprint PCS from time to time. Manager must return that handset to Sprint PCS as specified in Section 3.8.6 below.

3.8.6. RETURNS / EXCHANGES / GIVE BACK.

3.8.6.1. Returns. If a customer returns an Installment Product under the Installment Billing Program to Manager within 14 days of Service Activation as part of the current version of Sprint PCS's Satisfaction Guarantee or if a customer returns a defective Installment Product to Manager within 14 days of Service Activation, Manager must return that Installment Product to Sprint PCS in accordance with Sprint PCS's then current returns process, subject to any additional processes as directed by Sprint PCS. During the return process, title and ownership of the Installment Product will be as follows. When the customer returns the Installment Product to Manager or its distributor, title and ownership of the Installment Product will first pass back to the designated Sprint PCS Related Party. Sprint PCS will then charge Manager the Net Purchase Price for the Installment Product and title and ownership of the Installment Product will pass to Manager.

3.8.6.2. Exchanges. If a customer exchanges an Installment Product under the Installment Billing Program with Manager within 14 days of Service Activation as part of the current version of Sprint PCS's Satisfaction Guarantee, Manager must return that Installment Product to Sprint PCS in accordance with Sprint PCS' then current returns process, subject to any additional processes as directed by Sprint PCS. During the exchange process, title and ownership of the Installment Product will be as follows. When the customer returns the Installment Product that they are exchanging to Manager, title and ownership of the Installment Product will first pass to Sprint PCS. Sprint PCS will then charge Manager the Net Purchase Price for the Product and title and ownership of the Installment Product will pass to Manager. When Manager returns the Installment Product to Sprint PCS, Sprint PCS will repay Manager the Net Purchase Price for the Installment Product and title and ownership of the Product will pass back to the designated Sprint PCS Related Party. For the new Installment Product purchased by the customer as part of the exchange, Manager must ensure that the customer executes a new Retail Installment Billing Contract for the new Installment Product. In the cases where due to exchanges of Installment Products, Sprint PCS has charges for the Net Purchase Price of Installment Products due from Manager, and payment due to Manager for the Net Purchase Price of separate Installment Products, Sprint PCS may net out the payments.

3.8.6.3. Give Back. When Manager receives a Give Back handset (as defined in Section 3.8.5.2 above) as part of a Qualified Installment Billing Handset Upgrade, Manager must return that Give Back Handset to Sprint PCS. A Qualified Installment Billing Handset Upgrade means the activation of an Installment Product (provided the customer's existing handset had been active on the line of service for more than 14 continuous days prior to the upgrade transaction) for an existing customer to replace their existing handset in accordance with Sprint's current customer-facing Handset Upgrade Program, posted on either Sprint's intranet site for Manager owned stores using RMS or on the Sprint Indirect Website. Manager will utilize Sprint PCS' then existing returns process, subject to any additional processes as directed by Sprint PCS. Title and ownership of the Give Back Handset will pass to the designated Sprint PCS Related Party when customer provides the Give Back Handset to Manager. If Manager fails to return the Give Back Handset to Sprint PCS, Manager will be charged a fee that approximates the value of the Give Back Handset, as reasonably determined by Sprint PCS.

3.8.7. ELIGIBLE LOCATIONS / SPECIFIC REQUIREMENTS. The Installment Billing Program will only be available in certain jurisdictions, as approved by Sprint PCS in its sole and absolute discretion. Sprint PCS will provide Manager with the approved jurisdictions. Sprint PCS may withdraw the program from certain jurisdictions from time to time. Manager will ensure that the Installment Billing Program is offered only in approved jurisdictions, and will ensure that facilities in non-approved jurisdictions will not make available the Installment Billing Program. Additionally, certain requirements may apply only to certain jurisdictions (for example, limits on the number of installment transactions per customer per day), and Manager will comply and cause its distributors to comply with all such requirements as directed by Sprint PCS. If Manager or its distributors sells in unapproved jurisdictions or fail to comply with jurisdictional requirements, in addition to any other remedies under the Agreement, Sprint PCS will not be obligated to reimburse Manager for the Product price.

3.8.8. SPRINT PCS INDIRECT WEBSITE / TRAINING. Policies, processes and procedures related to Manager's participation in the Installment Billing Program will be posted either on Sprint PCS' internal on Sprint's intranet site for Manager owned stores using RMS or on the Sprint Indirect Website. As described in the Agreement, Manager and its distributors are responsible for checking Sprint's intranet site and the Sprint Indirect Website for new and updated policies, processes and procedures, and must ensure that Manager, its distributors and their employees, subcontractors, agents and subagents comply with such policies, processes and procedures. Additionally, Manager and its distributors must participate in all training required by Sprint PCS related to the Installment Billing Program.

3.8.9. MODIFICATIONS. Sprint PCS may change or withdraw the Installment Billing Program at any time, effective immediately upon notice by Sprint PCS. Manager agrees to participate in the Installment Billing Program in accordance with the terms of this Section 3.8, including any changes implemented by Sprint PCS. Manager's continued performance after a change to the Installment Billing Program goes into effect constitutes acceptance of that change.

3.8.10. TRUTH IN LENDING ACT. Manager hereby acknowledges and agrees that for the purposes of Section 16.1 of the Management Agreement, "applicable law" specifically includes the Truth in Lending Act.

3. The first sentence of the second paragraph of Section 10.2 is deleted and replaced with the following:

“Billed Revenue” is all customer account activity (e.g., all activity billed, attributed or otherwise reflected in the customer account) during the calendar month for which the fees and payments are being calculated (**the “Billed Month”**) for Sprint PCS Products and Services (including Network Vision Products and Services, but excluding Prepaid Network Vision Products and Services) related to all customer accounts assigned to the Service Area except (i) Outbound Roaming Fees, (ii) amounts handled separately in this Section 10 (including the amounts in Section 10.2.3 through 10.2.7, 10.4 and 10.8), (iii) amounts collected from customers and paid to governmental or regulatory authorities (e.g. customer Taxes and USF Charges); and (iv) other amounts identified in this agreement as not included in Billed Revenue (these amounts being **“Manager Accounts”**). Prepaid Revenue (including revenue associated with Prepaid Migrated Accounts and Prepaid Network Vision Products and Services), Command Center Revenue and payments from customers under the Installment Billing Program described in Section 3.8 of this Agreement are not included in Billed Revenue.

4. The first sentence of Section 10.3.2.2 of the Management Agreement is deleted and replaced with the following:

The reductions of amounts billed to Manager Accounts related to the sale of handsets and handset accessories from Sprint PCS inventory (including PowerSource Phones, 3G/4G Products and Services and related accessories, but excluding any payments from customers under the Installment Billing Program described in Section 3.8) are referred to as **“Customer Equipment Credits.”**

5. Amounts payable to Sprint under the Installment Billing Program described in Section 3.8 are “100% Sprint PCS Retained Amounts” to which Sprint PCS is entitled to 100% of the amounts that customers are billed for such items. Exhibit 10.3 is hereby revised to include such amounts as a “100% Sprint PCS Retained Amount.”

6. Section 10.3.2.5 of the Management Agreement is deleted in its entirety and replaced with the following:

10.3.2.5 Customer Equipment Charges. The amount that Sprint PCS bills to Manager Accounts for subscriber equipment and accessories sold or leased (including PowerSource Phones, 3G/4G Products and Services and related accessories, excluding, however any payments from customers under the Installment Billing Program described in Section 3.8) are referred to as **“Customer Equipment Charges.”**

7. **MANAGER AND SPRINT PCS’ REPRESENTATIONS.** Manager and Sprint PCS each represents and warrants that its respective execution, delivery and performance of its obligations described in this Addendum have been duly authorized by proper action of its governing body and do not and will not violate any material agreements to which it is a party. Each of Manager and Sprint PCS also represents and warrants that there are no legal or other claims, actions, counterclaims, proceedings or suits, at law or in arbitration or equity, pending or, to its knowledge, threatened against it, its Related Parties, officers or directors that question or may affect the validity of this Addendum, the execution and performance of the transactions contemplated by this Addendum or that party's right or obligation to consummate the transactions contemplated by this Addendum.

8. **REAFFIRMATION OF SPRINT AGREEMENTS.** Each of the undersigned reaffirms in their entirety, together with their respective rights and obligations thereunder, the Management Agreement, the Services Agreement, the Trademark and Service Mark License Agreements, and the Schedule of Definitions (as defined in the Management Agreement).

9. **COUNTERPARTS.** This Addendum may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed as of the date first above written.

SHENANDOAH PERSONAL COMMUNICATIONS, LLC

By: _____ /s/
Name: Christopher E. French
Title: President

SPRINT SPECTRUM L.P.

By: _____ /s/
Name: Matthew S. Gunter
Title: VP National Channels

SPRINT COMMUNICATIONS COMPANY, L.P.

By: _____ /s/
Name: Matthew S. Gunter
Title: VP National Channels

WIRELESSCO, L.P.

By: /s/

Name: Matthew S. Gunter

Title: VP National Channels

APC PCS, LLC

By: /s/

Name: Matthew S. Gunter

Title: VP National Channels

PhillieCo, L.P.

By: /s/

Name: Matthew S. Gunter

Title: VP National Channels

SHENANDOAH TELECOMMUNICATIONS COMPANY

2014 EQUITY INCENTIVE PLAN

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ARTICLE I
DEFINITIONS

1.01. **Affiliate**

Affiliate means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, the Company (including, but not limited to, joint ventures, limited liability companies and partnerships). For this purpose, the term “control” shall mean ownership of 50% or more of the total combined voting power or value of all classes of shares or interests in the entity, or the power to direct the management and policies of the entity, by contract or otherwise.

1.02. **Agreement**

Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of a Stock Award, an Incentive Award, an award of Performance Units, an Option or SAR granted to such Participant.

1.03. **Board**

Board means the Board of Directors of the Company.

1.04. **Change in Control**

“Change in Control” shall mean a change in control of the Company which will be deemed to have occurred after the date hereof if:

- (1) any “Person” is or becomes the Beneficial Owner, as such term is defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of securities of the Company representing at least 50% of the combined voting power or common stock of the Company;
- (2) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than (A) a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (1), (3), or (4) of this Section 1.04 or (B) a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of trustees of the Company) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

- (3) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, more than 50% of the combined voting power and common stock of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or
- (4) there is consummated a sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect, including a liquidation) other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, more than fifty percent (50%) of the combined voting power and common stock of which is owned by stockholders of the Company in substantially the same proportions as their ownership of the common shares of the Company immediately prior to such sale.

Notwithstanding the foregoing, if an award under this Plan constitutes "deferred compensation" under Section 409A of the Code, no payment shall be made under such award on account of a Change in Control unless the occurrence of one or more of the preceding events also constitutes a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the Company's assets, all as determined in accordance with the regulations under Section 409A of the Code.

1.05. **Code**

Code means the Internal Revenue Code of 1986, and any amendments thereto.

1.06. **Committee**

Committee means the Compensation Committee of the Board; provided, however, that if there is no Compensation Committee, then "Committee" means the Board; and provided, further that with respect to awards made to a member of the Board who is not an employee of the Company or an Affiliate, "Committee" means the Board.

1.07. **Common Stock**

Common Stock means common stock of the Company.

1.08. **Company**

Company means Shenandoah Telecommunications Company.

1.09. **Control Change Date**

Control Change Date means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the "Control Change Date" is the date of the last of such transactions.

1.10. **Corresponding SAR**

Corresponding SAR means an SAR that is granted in relation to a particular Option and that can be exercised only upon the surrender to the Company, unexercised, of that portion of the Option to which the SAR relates.

1.11. **Dividend Equivalent Right**

Dividend Equivalent Right means the right, subject to the terms and conditions prescribed by the Committee, of a Participant to receive (or have credited) with respect to a specified number of Performance Units, cash, stock or other property in amounts equivalent to the cash, stock or other property dividends declared on Common Stock with respect to specified Performance Units as determined by the Committee in its discretion. The Committee shall prescribe that Dividend Equivalent Rights (if any) payable with respect to Performance Units that do not vest based solely on account of continued employment or service shall be distributed only when, and to the extent that, the underlying Performance Units vest and may also provide that Dividend Equivalent Rights (if any) shall be deemed to have been reinvested in additional shares of Common Stock or otherwise reinvested.

1.12. **Exchange Act**

Exchange Act means the Securities Exchange Act of 1934, as amended.

1.13. **Fair Market Value**

Fair Market Value means, on any given date, the reported "closing" price of a share of Common Stock as reported on the composite tape of the principal national securities exchange on which the Common Stock is listed or admitted to trading. If, on any given date, the Common Stock is not listed or admitted to trading on a national securities exchange, then Fair Market Value shall be the "closing" price of a share of Common Stock on such other exchange on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted on any exchange, the amount determined by the Committee using any reasonable method in good faith and in accordance with the regulations under Section 409A of the Code. If the Common Stock is listed or admitted to trading but there is no reported sale of Common Stock on such day, then Fair Market Value shall be determined on the immediately preceding day on which sales of Common Stock are reported.

1.14. **Incentive Award**

Incentive Award means an award under Article X which, subject to the terms and conditions prescribed by the Committee, entitles the Participant to receive a payment from the Company or an Affiliate.

1.15. **Initial Value**

Initial Value means, with respect to a Corresponding SAR, the option price per share of the related Option and, with respect to an SAR granted independently of an Option, the price per share of Common Stock as determined by the Committee on the date of grant; provided, however, that the price shall not be less than the Fair Market Value on the date of grant.

1.16. **Option**

Option means an option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.

1.17. **Participant**

Participant means an employee or officer of the Company or an Affiliate, or a member of the Board, or an individual who provides bona fide services to the Company or an Affiliate and who satisfies the requirements of Article IV and is selected by the Committee to receive an award of Performance Units, a Stock Award, an Incentive Award, an Option, SAR or a combination thereof.

1.18. **Performance Goal**

Performance Goal means a performance objective that is stated with respect or relating to one or more of the following, alone or in combination: (i) total earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) earnings growth; (iv) earnings per share of Common Stock; (v) sales; (vi) return on capital; (vii) revenue or revenue growth; (viii) return on assets; (ix) bad debt (x) Fair Market Value; (xi) service measures (*i.e.*, dropped calls, trouble reports or churn); (xii) profitability of an identifiable business unit or product; (xiii) maintenance or improvement of profit margins; (xiv) cash flow; and (xv) total shareholder return (Common Stock price appreciation and dividends); (xvi) number of customers, accounts or both; and (xvii) operating income before depreciation and amortization (“OIBDA”).

A Performance Goal may be expressed on an absolute basis or relative to the performance of one or more similarly situated companies or a published index. A Performance Goal may be stated with respect to the Company or, as applicable, an Affiliate, operating unit division, department or function. When establishing Performance Goals, the Committee may exclude any or all special, unusual or extraordinary items as determined under U.S. generally accepted accounting principles, including, without limitation, the charges or costs associated with restructurings of the Company, discontinued operations, other unusual or non-recurring items and the cumulative effects of accounting changes. To the extent permitted under Section 162(m) of the Code (for any award that is intended to constitute “performance based compensation” under Section 162(m) of the Code), the Committee may also adjust the Performance Goals as it deems equitable in recognition of unusual or non-recurring events affecting the Company, changes in applicable tax laws or accounting principles or such other factors as the Committee may determine.

1.19. **Performance Units**

Performance Units means an award, in the amount determined by the Committee, stated with reference to a specified or determinable number of shares of Common Stock or other securities or property, that in accordance with the terms of an Agreement entitles the holder to receive a payment for each specified unit equal to the value of the Performance Unit on the date of payment.

1.20. **Person**

“Person” means any human being, firm, corporation, partnership, or other entity. “Person” also includes any human being, firm, corporation, partnership, or other entity as defined in sections 13(d)(3) and 14(d)(2) of the Exchange Act. Notwithstanding the preceding sentence, the term “Person” does not include (i) the Company or any of its subsidiaries, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Affiliate, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Common Shares or (v) any person or group as used in Rule 13d-1(b) under the Exchange Act.

1.21. **Plan**

Plan means this Shenandoah Telecommunications Company 2014 Equity Incentive Plan.

1.22. **SAR**

SAR means a stock appreciation right that in accordance with the terms of an Agreement entitles the holder to receive, with respect to each share of Common Stock encompassed by the exercise of the SAR, the excess, if any, of the Fair Market Value at the time of exercise over the Initial Value. References to “SARs” include both Corresponding SARs and SARs granted independently of Options, unless the context requires otherwise.

1.23. **Stock Award**

Stock Award means shares of Common Stock awarded to a Participant under Article VIII.

1.24. **Ten Percent Stockholder**

Ten Percent Stockholder means any individual owning more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of a “parent corporation” or “subsidiary corporation” (as such terms are defined in Section 424 of the Code) of the Company. An individual shall be considered to own any shares of voting stock owned (directly or indirectly) by or for his or her brothers, sisters, spouse, ancestors or lineal descendants and shall be considered to own proportionately any shares of voting stock owned (directly or indirectly) by or for a corporation, partnership, estate or trust of which such individual is a stockholder, partner or beneficiary.

ARTICLE II
PURPOSES

The Plan is intended to assist the Company and its Affiliates in recruiting and retaining individuals with ability and initiative by enabling such persons or entities to participate in the future success of the Company and its Affiliates and to associate their interests with those of the Company and its stockholders. The Plan is intended to permit the grant of both Options qualifying under Section 422 of the Code (“incentive stock options”) and Options not so qualifying, and the grant of SARs, Stock Awards, Incentive Awards and Performance Units in accordance with the Plan and any procedures that may be established by the Committee. No Option that is intended to be an incentive stock option shall be invalid for failure to qualify as an incentive stock option. The proceeds received by the Company from the sale of Common Stock pursuant to this Plan shall be used for general corporate purposes.

ARTICLE III
ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall have authority to grant SARs, Stock Awards, Incentive Awards, Performance Units and Options upon such terms (not inconsistent with the provisions of this Plan), as the Committee may consider appropriate. Such terms may include conditions (in addition to those contained in this Plan), on the exercisability of all or any part of an Option or SAR or on the transferability or forfeitability of a Stock Award, an Incentive Award or an award of Performance Units. Notwithstanding any such conditions, the Committee may, in its discretion, accelerate the time at which any Option or SAR may be exercised, or the time at which a Stock Award or an Incentive Award may become transferable or nonforfeitable or the time at which an Incentive Award or an award of Performance Units may be settled. In addition, the Committee shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of the Plan (including rules and regulations that require or allow Participants to defer the payment of benefits under the Plan); and to make all other determinations necessary or advisable for the administration of this Plan. The Committee's determinations under the Plan (including without limitation, determinations of the individuals to receive awards under the Plan, the form, amount and timing of such awards, the terms and provisions of such awards and the Agreements) need not be uniform and may be made by the Committee selectively among individuals who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. Any decision made, or action taken, by the Committee in connection with the administration of this Plan shall be final and conclusive. The members of the Committee shall not be liable for any act done in good faith with respect to this Plan or any Agreement, Option, SAR, Stock Award, Incentive Award or award of Performance Units. All expenses of administering this Plan shall be borne by the Company.

The Committee, in its discretion, may delegate to one or more officers of the Company all or part of the Committee's authority and duties with respect to grants and awards to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act. The Committee may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate that were consistent with the terms of the Plan and the Committee's prior delegation. References to the "Committee" in the Plan include the Committee's delegate to the extent consistent with the Committee's delegation.

ARTICLE IV
ELIGIBILITY

Any employee of the Company or an Affiliate (including a trade or business that becomes an Affiliate after the adoption of this Plan) and any member of the Board is eligible to participate in this Plan. In addition, any individual who provides significant services to the Company or an Affiliate is eligible to participate in this Plan if the Committee, in its sole discretion, determines that the participation of such individual is in the best interest of the Company. The Committee may also grant Options, SARs, Stock Awards, Incentive Awards and Performance Units to an individual as an inducement to such individual becoming eligible to participate in the Plan and prior to the date that the individual first performs services for the Company or an Affiliate, provided that such awards will not become vested or exercisable, and no shares shall be issued or other payment made to such individual with respect to such awards prior to the date the individual first performs services for the Company or an Affiliate.

ARTICLE V
COMMON STOCK SUBJECT TO PLAN

5.01. Common Stock Issued

Upon the award of shares of Common Stock pursuant to a Stock Award, an Other Equity-Based Award or in settlement of an award of Performance Units or Incentive Award, the Company may deliver to the Participant shares of Common Stock from its treasury shares or authorized but unissued Common Stock. Upon the exercise of any Option, SAR or Other Equity-Based Award denominated in Common Stock, the Company may deliver to the Participant (or the Participant's broker if the Participant so directs), shares of Common Stock from its treasury shares or authorized but unissued Common Stock.

5.02. Aggregate Limit

(a) The maximum aggregate number of shares of Common Stock that may be issued under this Plan pursuant to the exercise of Options and SARs, the grant of Stock Awards and the settlement of Performance Units and Incentive Awards is 1,500,000 shares.

(b) The maximum number of shares of Common Stock that may be issued under this Plan in accordance with Section 5.02(a) shall be subject to adjustment as provided in Article XI.

(c) The maximum number of shares of Common Stock that may be issued upon the exercise of Options that are incentive stock options or Corresponding SARs that are related to incentive stock options shall be determined in accordance with Sections 5.02(a) and 5.02(b).

5.03. Individual Grant Limit

The maximum number of Options, SARs, Stock Awards or Performance Units that may be granted to an individual in any calendar year shall be (i) 5,000 shares of Common Stock (in the case of a Participant who is a member of the Board but who is not an employee of the Company or an Affiliate) and (ii) 100,000 shares of Common Stock in the case of other Participants. For purposes of this Section 5.03, an Option and Corresponding SAR shall be treated as a single award. The maximum number of shares of Common Stock for which a Participant may be granted Options, SARs, Stock Awards, Performance Units and Other Equity-Based Awards in any calendar year shall be subject to adjustment as provided in Article XI.

5.04. **Reallocation of Shares**

If any award or grant under the Plan expires, is forfeited or is terminated without having been exercised or is paid in cash without delivery of shares of Common Stock, then any shares of Common Stock covered by such lapsed, cancelled, expired, unexercised or cash-settled portion of such award or grant shall be available for the grant of other Options, SARs, Stock Awards, Other Equity-Based Awards and settlement of Performance Units and Incentive Awards under this Plan. Any shares of Common Stock tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any award granted under the Plan shall not increase the number of shares of Common Stock available for future grants or awards. If an SAR is settled with shares of Common Stock, the number of shares of Common Stock authorized for issuance under the Plan shall be reduced by the number of SARs exercised (rather than the number of shares of Common Stock issued upon exercise of the SAR).

ARTICLE VI
OPTIONS

6.01. **Award**

In accordance with the provisions of Article IV, the Committee will designate each individual to whom an Option is to be granted and, subject to Section 5.03, will specify the number of shares of Common Stock covered by such awards.

6.02. **Option Price**

The price per share of Common Stock purchased on the exercise of an Option shall be determined by the Committee on the date of grant, but shall not be less than the Fair Market Value on the date the Option is granted. Notwithstanding the preceding sentence, the price per share of Common Stock purchased on the exercise of any Option that is an incentive stock option granted to an individual who is a Ten Percent Stockholder on the date such option is granted, shall not be less than one hundred ten percent (110%) of the Fair Market Value on the date the Option is granted. Except as provided in Article XII, the price per share of an outstanding Option may not be reduced (by amendment, cancellation and new grant or otherwise) without the approval of stockholders. In addition, no payment shall be made in cancellation of an Option without the approval of stockholders if, on the date of cancellation, the option price per share exceeds Fair Market Value.

6.03. **Maximum Option Period**

The maximum period in which an Option may be exercised shall be determined by the Committee on the date of grant except that no Option shall be exercisable after the expiration of ten years from the date such Option was granted. In the case of an incentive stock option granted to a Participant who is a Ten Percent Stockholder on the date of grant, such Option shall not be exercisable after the expiration of five years from the date of grant. The terms of any Option may provide that it is exercisable for a period less than such maximum period.

6.04. **Nontransferability**

Except as provided in Section 6.05, each Option granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. In the event of any transfer of an Option (by the Participant or his transferee), the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or persons or entity or entities. Except as provided in Section 6.05, during the lifetime of the Participant to whom the Option is granted, the Option may be exercised only by the Participant. No right or interest of a Participant in any Option shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

6.05. **Employee Status**

For purposes of determining the applicability of Section 422 of the Code (relating to incentive stock options), or in the event that the terms of any Option provide that it may be exercised only during employment or continued service or within a specified period of time after termination of employment or continued service, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

6.06. **Exercise**

Subject to the provisions of this Plan and the applicable Agreement, an Option may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine; provided, however, that incentive stock options (granted under the Plan and all plans of the Company and its Affiliates) may not be first exercisable in a calendar year for Common Shares having a Fair Market Value (determined as of the date an Option is granted) exceeding \$100,000. An Option granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option could be exercised. A partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the Option. The exercise of an Option shall result in the termination of any Corresponding SAR to the extent of the number of shares with respect to which the Option is exercised.

6.07. **Payment**

Subject to rules established by the Committee and as provided in an Agreement, payment of all or part of the Option price may be made in cash, certified check, by tendering shares of Common Stock (including a deemed tender of shares effected by attestation of ownership of shares of Common Stock), by a broker-assisted cashless exercise or by a “net settlement” of the Option exercise, *i.e.*, by issuance of the number of shares of Common Stock for which the Option is exercised minus the number of shares with a Fair Market Value (determined as of the date of exercise) equal to the aggregate option price or the aggregate option price plus the amount of the income and employment taxes required to be withheld. If Common Stock is used to pay all or part of the Option price, the sum of the cash and cash equivalent and the Fair Market Value (determined as of the date of exercise) of the shares surrendered must not be less than the Option price of the shares for which the Option is being exercised.

6.08. **Stockholder Rights**

No Participant shall have any rights as a stockholder with respect to Common Shares subject to an Option until the date of exercise of such Option.

6.09. **Disposition of Shares**

A Participant shall notify the Company of any sale or other disposition of shares of Common Stock acquired pursuant to an Option that was an incentive stock option if such sale or disposition occurs (i) within two years of the grant of an Option or (ii) within one year of the issuance of the Common Stock to the Participant. Such notice shall be in writing and directed to the Secretary of the Company.

ARTICLE VII
SARS

7.01. **Award**

In accordance with the provisions of Article IV, the Committee will designate each individual to whom SARs are to be granted and will, subject to Section 5.03, specify the number of shares of Common Stock covered by such awards. No Participant may be granted Corresponding SARs (under the Plan and all plans of the Company and its Affiliates) that are related to incentive stock options which are first exercisable in any calendar year for shares of Common Stock having an aggregate Fair Market Value (determined as of the date the related Option is granted) that exceeds \$100,000.

7.02. **Maximum SAR Period**

The term of each SAR shall be determined by the Committee on the date of grant, except that no SAR shall have a term of more than ten years from the date of grant. In the case of a Corresponding SAR that is related to an incentive stock option granted to a Participant who is a Ten Percent Stockholder on the date of grant, such Corresponding SAR shall not be exercisable after the expiration of five years from the date of grant. The terms of any SAR may provide that it has a term that is less than such maximum period.

7.03. **Nontransferability**

Except as provided in Section 7.04, each SAR granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. In the event of any such transfer, a Corresponding SAR and the related Option must be transferred to the same person or persons or entity or entities. Except as provided in Section 7.04, during the lifetime of the Participant to whom the SAR is granted, the SAR may be exercised only by the Participant. No right or interest of a Participant in any SAR shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

7.04. **Exercise**

Subject to the provisions of this Plan and the applicable Agreement, an SAR may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine; provided, however, that a Corresponding SAR that is related to an incentive stock option may be exercised only to the extent that the related Option is exercisable and only when the Fair Market Value exceeds the option price of the related Option. An SAR granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the SAR could be exercised. A partial exercise of an SAR shall not affect the right to exercise the SAR from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the SAR. The exercise of a Corresponding SAR shall result in the termination of the related Option to the extent of the number of shares with respect to which the SAR is exercised.

7.05. **Employee Status**

If the terms of any SAR provide that it may be exercised only during employment or continued service or within a specified period of time after termination of employment or continued service, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability or other reasons shall not be deemed interruptions of continuous employment or service.

7.06. **Settlement**

At the Committee's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Common Stock, or a combination of cash and Common Stock. No fractional share will be deliverable upon the exercise of an SAR but a cash payment will be made in lieu thereof.

7.07. **Stockholder Rights**

No Participant shall, as a result of receiving an SAR, have any rights as a stockholder of the Company or any Affiliate until the date that the SAR is exercised and then only to the extent that the SAR is settled by the issuance of shares of Common Stock.

7.08. **No Reduction of Initial Value**

Except as provided in Article XII, the Initial Value of an outstanding SAR may not be reduced (by amendment, cancellation and new grant or otherwise) without the approval of stockholders. In addition, no payment shall be made in cancellation of a SAR without the approval of stockholders if, on the date of cancellation, the Initial Value exceeds Fair Market Value.

ARTICLE VIII
STOCK AWARDS

8.01. **Award**

In accordance with the provisions of Article IV, the Committee will designate each individual to whom a Stock Award is to be made and will, subject to Section 5.03, specify the number of shares of Common Stock covered by such awards.

8.02. **Vesting**

The Committee, on the date of the award, may prescribe that a Participant's rights in a Stock Award shall be forfeitable or otherwise restricted for a period of time or subject to such conditions as may be set forth in the Agreement. By way of example and not of limitation, the Committee may prescribe that a Participant's rights in a Stock Award shall be forfeitable or otherwise restricted subject to the attainment of objectives stated with reference to the Company's, an Affiliate's or a business unit's attainment of objectives stated with respect to performance criteria established by the Committee, including the attainment of objectives stated with respect to one or more Performance Goals.

8.03. **Employee Status**

In the event that the terms of any Stock Award provide that shares may become transferable and nonforfeitable thereunder only after completion of a specified period of employment or continuous service, the Committee may decide in each case to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

8.04. **Stockholder Rights**

Unless otherwise specified in the applicable Agreement, while the shares of Common Stock granted pursuant to the Stock Award may be forfeited or are nontransferable, a Participant will have all the rights of a stockholder with respect to a Stock Award, including the right to receive dividends and vote the shares; provided, however, that dividends payable on shares of Common Stock subject to a Stock Award that does not become nonforfeitable and transferable solely on account of continued employment or service shall be distributed only when, and to the extent that, the underlying Stock Award is nonforfeitable and transferable and the Committee may provide that such dividends shall be deemed to have been reinvested in additional shares of Common Stock. During the period that the shares of Common Stock granted pursuant to the Stock Award may be forfeited or are nontransferable (i) a Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of shares granted pursuant to a Stock Award, (ii) the Company shall retain custody of any certificates evidencing shares granted pursuant to a Stock Award, and (iii) the Participant will deliver to the Company a stock power, endorsed in blank, with respect to each Stock Award. The limitations set forth in the preceding sentence shall not apply after the shares granted under the Stock Award are transferable and are no longer forfeitable.

ARTICLE IX
PERFORMANCE UNIT AWARDS

9.01. **Award**

In accordance with the provisions of Article IV, the Committee will designate each individual to whom an award of Performance Units is to be made and will, subject to Section 5.03, specify the number of shares of Common Stock or other securities or property covered by such awards or the formula by which the number of shares of Common Stock or other securities or property covered by such awards will be determined. The Committee also will specify whether Dividend Equivalent Rights are granted in conjunction with the Performance Units.

9.02. **Earning the Award**

The Committee, on the date of the grant of an award, may prescribe that a Participant's rights in the Performance Units shall be forfeitable or otherwise restricted for a period of time or subject to such conditions as may be set forth in the Agreement. By way of example and not of limitation, the Committee may prescribe that the Performance Units will be earned, and the Participant will be entitled to receive payment pursuant to the award of Performance Units, only upon the satisfaction of performance objectives and such other criteria as may be prescribed by the Committee, including the attainment of objectives stated with respect to one or more Performance Goals.

9.03. **Payment**

In the discretion of the Committee, the amount payable when an award of Performance Units is earned may be settled in cash, by the issuance of Common Stock, by the delivery of other securities or property or a combination thereof. A fractional share of Common Stock shall not be deliverable when an award of Performance Units is earned, but a cash payment will be made in lieu thereof. The amount payable when an award of Performance Units is earned shall be paid in a lump sum.

9.04. **Stockholder Rights**

A Participant, as a result of receiving an award of Performance Units, shall not have any rights as a stockholder until, and then only to the extent that, the award of Performance Units is earned and settled in shares of Common Stock. After an award of Performance Units is earned and settled in shares of Common Stock, a Participant will have all the rights of a stockholder as described in Section 8.04.

9.05. **Nontransferability**

Except as provided in Section 9.06, Performance Units granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. No right or interest of a Participant in any Performance Units shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

9.06. **Employee Status**

In the event that the terms of any Performance Unit award provide that no payment will be made unless the Participant completes a stated period of employment or continued service, the Committee may decide to what extent leaves of absence for government or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

ARTICLE X
INCENTIVE AWARDS

10.01. **Award**

In accordance with the provisions of Article IV, the Committee will designate each individual to whom an Incentive Award is to be made. The amount payable under all Incentive Awards shall be finally determined by the Committee; provided, however, that the maximum amount payable to an individual under all Incentive Awards granted in the same calendar year is \$1,500,000.

10.02. **Terms and Conditions**

The Committee, at the time an Incentive Award is made, shall specify the terms and conditions that govern the award. Such terms and conditions may prescribe that the Incentive Award shall be earned only to the extent that the Participant, the Company or an Affiliate, during a performance period of at least one year, achieves objectives stated with reference to one or more performance measures or criteria prescribed by the Committee, including the attainment of objectives stated with respect to one or more Performance Goals. Such terms and conditions also may include other limitations on the payment of Incentive Awards including, by way of example and not of limitation, requirements that the Participant complete a specified period of employment or service with the Company or an Affiliate or that the Company, an Affiliate, or the Participant attain stated objectives or goals (in addition to those prescribed in accordance with the preceding sentence) as a prerequisite to payment under an Incentive Award.

10.03. **Nontransferability**

Incentive Awards granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. No right or interest of a Participant in an Incentive Award shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

10.04. **Employee Status**

If the terms of an Incentive Award provide that a payment will be made thereunder only if the Participant completes a stated period of employment or continued service the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability or other reasons shall not be deemed interruptions of continuous employment or service.

10.05. **Settlement**

An Incentive Award that is earned shall be settled with a single lump sum payment which may be in cash, shares of Common Stock or a combination of cash and Common Stock, as determined by the Committee.

10.06. **Stockholder Rights**

No participant shall, as a result of receiving an Incentive Award, have any rights as a stockholder of the Company or an Affiliate until the date that the Incentive Award is settled and then only to the extent that the Incentive Award is settled by the issuance of shares of Common Stock.

ARTICLE XI
ADJUSTMENT UPON CHANGE IN COMMON STOCK

The maximum number of shares of Common Stock as to which Options, SARs, Performance Units and Stock Awards may be granted, the individual grant limits in Section 5.03 and the terms of outstanding Stock Awards, Options, SARs, Incentive Awards and Performance Units shall be adjusted as determined by the Board in the event that (i) the Company (a) effects one or more nonreciprocal transactions between the Company and its stockholders such as a share dividend, extra-ordinary cash dividend, share split-up, subdivision or consolidation of shares that affects the number of shares or kind of Common Stock (or other securities of the Company) or the Fair Market Value (or the value of other Company securities) and causes a change in the Fair Market Value of the Common Stock subject to outstanding awards or (b) engages in a transaction to which Section 424 of the Code applies or (ii) there occurs any other event which, in the judgment of the Board necessitates such action. Any determination made under this Article XI by the Board shall be final and conclusive.

The issuance by the Company of shares of any class, or securities convertible into shares of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the maximum number of shares as to which Options, SARs, Performance Units and Stock Awards may be granted, the individual grant limits in Section 5.03 or the terms of outstanding Stock Awards, Options, SARs, Incentive Awards or Performance Units.

The Committee may make Stock Awards and may grant Options, SARs and Performance Units in substitution for performance shares, phantom shares, stock awards, stock options, stock appreciation rights, or similar awards held by an individual who becomes an employee of the Company or an Affiliate in connection with a transaction described in the first paragraph of this Article XI. Notwithstanding any provision of the Plan (other than the limitation of Section 5.02), the terms of such substituted Stock Awards, SARs, Options or Performance Units shall be as the Committee, in its discretion, determines is appropriate.

ARTICLE XII
COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES

No Option or SAR shall be exercisable, no shares of Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any listing agreement to which the Company is a party, and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any certificate issued to evidence shares of Common Stock when a Stock Award is granted, a Performance Unit or Incentive Award is settled or for which an Option or SAR is exercised may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Option or SAR shall be exercisable, no Stock Award or Performance Unit shall be granted, no Common Shares shall be issued, no certificate for Common Stock shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

ARTICLE XIII
GENERAL PROVISIONS

13.01. **Effect on Employment and Service**

Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof), shall confer upon any individual or entity any right to continue in the employ or service of the Company or an Affiliate or in any way affect any right and power of the Company or an Affiliate to terminate the employment or service of any individual or entity at any time with or without assigning a reason therefor.

13.02. **Unfunded Plan**

This Plan, insofar as it provides for grants, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by grants under this Plan. Any liability of the Company to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

13.03. **Rules of Construction**

Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

All awards made under this Plan are intended to comply with, or otherwise be exempt from, Section 409A of the Code (“Section 409A”), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12). This Plan and all Agreements shall be administered, interpreted and construed in a manner consistent with Section 409A. If any provision of this Plan or any Agreement is found not to comply with, or otherwise not be exempt from, the provisions of Section 409A, it shall be modified and given effect, in the sole discretion of the Committee and without requiring the Participant’s consent, in such manner as the Committee determines to be necessary or appropriate to comply with, or effectuate an exemption from, Section 409A. Each payment under an award granted under this Plan shall be treated as a separate identified payment for purposes of Section 409A.

If a payment obligation under an award or an Agreement arises on account of the Participant’s termination of employment and such payment obligation constitutes “deferred compensation” (as defined under Treasury Regulation section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12)), it shall be payable only after the Participant’s “separation from service” (as defined under Treasury Regulation section 1.409A-1(h)); provided, however, that if the Participant is a “specified employee” (as defined under Treasury Regulation section 1.409A-1(i)), any such payment that is scheduled to be paid within six months after such separation from service shall accrue without interest and shall be paid on the first day of the seventh month beginning after the date of the Participant’s separation from service or, if earlier, within fifteen days after the appointment of the personal representative or executor of the Participant’s estate following the Participant’s death.

13.04. **Withholding Taxes**

Each Participant shall be responsible for satisfying any income and employment tax withholding obligations attributable to participation in the Plan. Unless otherwise provided by the Agreement, any such withholding tax obligations may be satisfied in cash (including from any cash payable in settlement of an award of Performance Units, SARs or Incentive Awards or a cash equivalent acceptable to the Committee. Any minimum statutory federal, state, district or city withholding tax obligations also may be satisfied (a) by surrendering to the Company shares of Common Stock previously acquired by the Participant; (b) by authorizing the Company to withhold or reduce the number of shares of Common Stock otherwise issuable to the Participant upon the exercise of an Option or SAR, the settlement of a Performance Unit award or Incentive Award (if applicable) or the grant or vesting of a Stock Award; or (c) by any other method as may be approved by the Committee. If shares of Common Stock are used to pay all or part of such withholding tax obligation, the Fair Market Value of the shares surrendered, withheld or reduced shall be determined as of the day the tax liability arises.

13.05. **Return of Awards; Repayment**

Each Stock Award, Option, SAR, Performance Unit award and Incentive Award granted under the Plan, as amended and restated herein, is subject to the condition that the Company may require that such award be returned and that any payment made with respect to such award must be repaid if such action is required under the terms of any Company “clawback” policy as in effect on the date that the payment was made, on the date the award was granted or, as applicable, the date the Option or SAR was exercised or the date the Stock Award or Performance Unit award is vested or earned.

ARTICLE XIV
CHANGE IN CONTROL

14.01. **Impact of Change in Control**

Upon a Change in Control, the Committee is authorized to cause (i) outstanding Options and SARs to become exercisable with respect to some or all of the shares of Common Stock covered by the awards, (ii) outstanding Stock Awards to become transferable and nonforfeitable with respect to some or all of the shares of Common Stock covered by the awards and (iii) outstanding Performance Units and Incentive Awards to become earned and nonforfeitable in whole or in part.

14.02. **Assumption Upon Change in Control**

In the event of a Change in Control, the Committee, in its discretion and without the need for a Participant’s consent, may provide that an outstanding Option, SAR, Incentive Award, Stock Award or Performance Unit shall be assumed by, or a substitute award granted by, the surviving entity in the Change in Control. Such assumed or substituted award shall be of the same type of award as the original Option, SAR, Incentive Award, Stock Award or Performance Unit being assumed or substituted. The assumed or substituted award shall have an intrinsic value, as of the Control Change Date, that is substantially equal to the intrinsic value of the original award (or the difference between the Fair Market Value and the option price or Initial Value in the case of Options and SARs) as the Committee determines is equitably required and such other terms and conditions as may be prescribed by the Committee.

14.03. **Cash-Out Upon Change in Control**

In the event of a Change in Control, the Committee, in its discretion and without the need of a Participant's consent, may provide that each Option, SAR, Incentive Award, Stock Award and Performance Unit shall be cancelled, in whole or in part, in exchange for a payment. The payment may be in cash, shares of Common Stock or other securities or consideration received by stockholders in the Change in Control transaction. The amount of the cancellation payment shall be an amount that is substantially equal to (i) the amount by which the price per share received by stockholders in the Change in Control exceeds the option price or Initial Value in the case of an Option and SAR, (ii) the price per share received by stockholders for each share of Common Stock subject to a Stock Award or Performance Unit, (iii) the value of the other securities or property in which the Performance Unit is denominated or (iv) the amount payable under an Incentive Award on account of meeting all Performance Goals or other performance objectives. If the option price or Initial Value exceeds the price per share received by stockholders in the Change in Control transaction, the Option or SAR may be cancelled under this Section 14.03 or 14.04 without any payment to the Participant.

14.04. **Limitation of Benefits**

The benefits that a Participant may be entitled to receive under this Plan and other benefits that a Participant is entitled to receive under other plans, agreements and arrangements (which, together with the benefits provided under this Plan, are referred to as "Payments"), may constitute Parachute Payments that are subject to Code Sections 280G and 4999. As provided in this Section 14.04, the Parachute Payments will be reduced if, and only to the extent that, a reduction will allow a Participant to receive a greater Net After Tax Amount than a Participant would receive absent a reduction.

The Accounting Firm will first determine the amount of any Parachute Payments that are payable to a Participant. The Accounting Firm also will determine the Net After Tax Amount attributable to the Participant's total Parachute Payments.

The Accounting Firm will next determine the largest amount of Payments that may be made to the Participant without subjecting the Participant to tax under Code Section 4999 (the "Capped Payments"). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.

The Participant will receive the total Parachute Payments or the Capped Payments, whichever provides the Participant with the higher Net After Tax Amount. If the Participant will receive the Capped Payments, the total Parachute Payments will be adjusted by first reducing the amount of any noncash benefits under this Plan or any other plan, agreement or arrangement (with the source of the reduction to be directed by the Participant) and then by reducing the amount of any cash benefits under this Plan or any other plan, agreement or arrangement (with the source of the reduction to be directed by the Participant). The Accounting Firm will notify the Participant and the Company if it determines that the Parachute Payments must be reduced to the Capped Payments and will send the Participant and the Company a copy of its detailed calculations supporting that determination.

As a result of the uncertainty in the application of Code Sections 280G and 4999 at the time that the Accounting Firm makes its determinations under this Section 14.04, it is possible that amounts will have been paid or distributed to the Participant that should not have been paid or distributed under this Section 14.04 (“Overpayments”), or that additional amounts should be paid or distributed to the Participant under this Section 14.04 (“Underpayments”). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, the Participant must repay to the Company, without interest; provided, however, that no loan will be deemed to have been made and no amount will be payable by the Participant to the Company unless, and then only to the extent that, the deemed loan and payment would either reduce the amount on which the Participant is subject to tax under Code Section 4999 or generate a refund of tax imposed under Code Section 4999. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify the Participant and the Company of that determination and the amount of that Underpayment will be paid to the Participant promptly by the Company.

For purposes of this Section 14.04, the term “Accounting Firm” means the independent accounting firm engaged by the Company immediately before the Control Change Date. For purposes of this Section 14.04, the term “Net After Tax Amount” means the amount of any Parachute Payments or Capped Payments, as applicable, net of taxes imposed under Code Sections 1, 3101(b) and 4999 and any State or local income taxes applicable to the Participant on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment. For purposes of this Section 14.04, the term “Parachute Payment” means a payment that is described in Code Section 280G(b)(2), determined in accordance with Code Section 280G and the regulations promulgated or proposed thereunder.

ARTICLE XV
AMENDMENT

The Board may amend or terminate this Plan at any time; provided, however, that no amendment may adversely impair the rights of a Participant with respect to outstanding awards without the Participant's consent. In addition, an amendment will be contingent on approval of the Company's stockholders if such approval is required by law or the rules of any exchange on which the Common Stock is listed or if the amendment would materially increase the benefits accruing to Participants under the Plan, materially increase the aggregate number of shares of Common Stock that may be issued under the Plan or materially modify the requirements as to eligibility for participation in the Plan.

ARTICLE XVI
DURATION OF PLAN

No Stock Award, Performance Unit award, Incentive Award, Option or SAR may be granted under this Plan after February 18, 2024. Stock Awards, Performance Unit awards, Incentive Awards, Options and SARs granted before such date shall remain valid in accordance with their terms.

ARTICLE XVII
EFFECTIVE DATE OF PLAN

Options, SARs, Stock Awards, Performance Units and Incentive Awards may be granted under this Plan on and after the date that the Plan is adopted by the Board, provided that, this Plan shall not be effective unless the votes cast in favor of the Plan by the stockholders of the Company exceed the votes cast opposing such proposal at a duly constituted meeting of the stockholders of the Company.

CERTIFICATION

I, Christopher E. French, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shenandoah Telecommunications Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ CHRISTOPHER E. FRENCH

Christopher E. French, President and Chief Executive Officer

Date: May 2, 2014

CERTIFICATION

I, Adele M. Skolits, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shenandoah Telecommunications Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ADELE M. SKOLITS

Adele M. Skolits, Vice President - Finance and Chief Financial Officer

Date: May 2, 2014

**Written Statement of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Each of the undersigned, the President and Chief Executive Officer and the Vice President - Finance and Chief Financial Officer, of Shenandoah Telecommunications Company (the "Company"), hereby certifies that, on the date hereof:

- (1) The quarterly report on Form 10-Q of the Company for the three months ended March 31, 2014 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/S/CHRISTOPHER E. FRENCH
Christopher E. French
President and Chief Executive Officer
May 2, 2014

/S/ADELE M. SKOLITS
Adele M. Skolits
Vice President - Finance and
Chief Financial Officer
May 2, 2014

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document. This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent this Exhibit 32 is expressly and specifically incorporated by reference in any such filing.
