

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 June 30, 2011

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 July 22, 2011 was 23,781,017.

SHENANDOAH TELECOMMUNICATIONS COMPANY
INDEX

Page Numbers

| | | |
|----------|--|-------|
| PART I. | FINANCIAL INFORMATION | |
| Item 1. | Financial Statements | |
| | Unaudited Condensed Consolidated Balance Sheets June 30, 2011 and December 31, 2010 | 3-4 |
| | Unaudited Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2011 and 2010 | 5 |
| | Unaudited Condensed Consolidated Statements of Shareholders' Equity and Comprehensive Income for the Six Months Ended June 30, 2011 and the Year Ended December 31, 2010 | 6 |
| | Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2011 and 2010 | 7-8 |
| | Notes to Unaudited Condensed Consolidated Financial Statements | 9-14 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 15-32 |
| Item 3. | Quantitative and Qualitative Disclosures about Market Risk | 32 |
| Item 4. | Controls and Procedures | 33 |
| PART II. | OTHER INFORMATION | |
| Item 1A. | Risk Factors | 34 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 34 |
| Item 6. | Exhibits | 35 |
| | Signatures | 36 |
| | Exhibit Index | 37 |

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

| ASSETS | June 30, 2011 | December 31, 2010 |
|--|-------------------|----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 25,431 | \$ 27,453 |
| Accounts receivable, net | 20,614 | 20,634 |
| Income taxes receivable | 3,419 | 2,576 |
| Materials and supplies | 6,576 | 6,360 |
| Prepaid expenses and other | 3,718 | 3,770 |
| Assets held for sale | 7,867 | 9,305 |
| Deferred income taxes | 715 | 702 |
| Total current assets | 68,340 | 70,800 |
| Investments, including \$2,375 and \$2,287 carried at fair value | 8,691 | 9,090 |
| Property, plant and equipment, net | 289,337 | 280,051 |
| Other Assets | | |
| Intangible assets, net | 85,543 | 90,389 |
| Cost in excess of net assets of businesses acquired | 10,962 | 10,962 |
| Deferred charges and other assets, net | 4,426 | 5,145 |
| Net other assets | 100,931 | 106,496 |
| Total assets | \$ 467,299 | \$ 466,437 |

See accompanying notes to unaudited condensed consolidated financial statements.

(Continued)

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

| | June 30, 2011 | December 31, 2010 |
|---|-------------------|----------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 19,559 | \$ 14,823 |
| Accounts payable | 10,953 | 12,237 |
| Advanced billings and customer deposits | 8,989 | 8,067 |
| Accrued compensation | 1,401 | 3,278 |
| Liabilities held for sale | 799 | 910 |
| Accrued liabilities and other | 6,849 | 5,583 |
| Total current liabilities | 48,550 | 44,898 |
| Long-term debt, less current maturities | 169,500 | 180,289 |
| Other Long-Term Liabilities | | |
| Deferred income taxes | 36,494 | 35,902 |
| Deferred lease payable | 3,949 | 3,734 |
| Asset retirement obligations | 6,777 | 6,542 |
| Other liabilities | 4,887 | 4,767 |
| Total other liabilities | 52,107 | 50,945 |
| Commitments and Contingencies | | |
| Shareholders' Equity | | |
| Common stock | 20,651 | 19,833 |
| Retained earnings | 176,491 | 170,472 |
| Total shareholders' equity | 197,142 | 190,305 |
| Total liabilities and shareholders' equity | \$ 467,299 | \$ 466,437 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating revenues | \$ 61,555 | \$ 42,361 | \$ 121,983 | \$ 83,959 |
| Operating expenses: | | | | |
| Cost of goods and services, exclusive of depreciation and amortization shown separately below | 25,216 | 15,278 | 51,277 | 29,336 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | 13,901 | 10,810 | 27,239 | 18,590 |
| Depreciation and amortization | 14,444 | 8,483 | 28,382 | 16,724 |
| Total operating expenses | 53,561 | 34,571 | 106,898 | 64,650 |
| Operating income | 7,994 | 7,790 | 15,085 | 19,309 |
| Other income (expense): | | | | |
| Interest expense | (2,846) | (266) | (4,665) | (576) |
| Gain (loss) on investments, net | (124) | (76) | (249) | (142) |
| Non-operating income, net | 290 | 182 | 508 | 269 |
| Income from continuing operations before income taxes | 5,314 | 7,630 | 10,679 | 18,860 |
| Income tax expense | 2,276 | 3,117 | 4,581 | 7,766 |
| Net income from continuing operations | 3,038 | 4,513 | 6,098 | 11,094 |
| Earnings (loss) from discontinued operations, net of tax (expense) benefit of \$31, \$(38), \$52 and \$(150), respectively | (46) | 59 | (79) | 233 |
| Net income | \$ 2,992 | \$ 4,572 | \$ 6,019 | \$ 11,327 |
| Basic and diluted income (loss) per share: | | | | |
| Net income from continuing operations | \$ 0.13 | \$ 0.19 | \$ 0.25 | \$ 0.47 |
| Net earnings (loss) from discontinued operations | - | - | - | 0.01 |
| Net income | \$ 0.13 | \$ 0.19 | \$ 0.25 | \$ 0.48 |
| Weighted average shares outstanding, basic | 23,772 | 23,738 | 23,769 | 23,718 |
| Weighted average shares, diluted | 23,797 | 23,781 | 23,823 | 23,757 |

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

(in thousands, except per share amounts)

| | Share | Common Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|--------|--------------|-------------------|---|---------------|
| Balance, December 31, 2009 | 23,681 | \$ 17,890 | \$ 160,230 | \$ (2,448) | \$ 175,672 |
| Comprehensive income: | | | | | |
| Net income | - | - | 18,075 | - | 18,075 |
| Reclassification adjustment for unrealized loss from pension plans included in net income, net of tax | - | - | - | 2,596 | 2,596 |
| Net unrealized gain from pension plans, net of tax | - | - | - | (148) | (148) |
| Total comprehensive income | | | | | 20,523 |
| Dividends declared (\$0.33 per share) | - | - | (7,833) | - | (7,833) |
| Dividends reinvested in common stock | 29 | 520 | - | - | 520 |
| Stock-based compensation | - | 792 | - | - | 792 |
| Common stock issued through exercise of incentive stock options | 57 | 561 | - | - | 561 |
| Net excess tax benefit from stock options exercised | - | 70 | - | - | 70 |
| Balance, December 31, 2010 | 23,767 | \$ 19,833 | \$ 170,472 | \$ - | \$ 190,305 |
| Comprehensive income: | | | | | |
| Net income | - | - | 6,019 | - | 6,019 |
| Total comprehensive income | | | | | 6,019 |
| Stock-based compensation | - | 902 | - | - | 902 |
| Common stock issued for share awards | 19 | - | - | - | - |
| Common stock repurchased | (5) | (92) | - | - | (92) |
| Common stock issued | - | 8 | - | - | 8 |
| Balance, June 30, 2011 | 23,781 | \$ 20,651 | \$ 176,491 | \$ - | \$ 197,142 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

(in thousands)

| | Six Months Ended June 30, | |
|---|------------------------------|--------------------|
| | 2011 | 2010 |
| Cash Flows From Operating Activities | | |
| Net income | \$ 6,019 | \$ 11,327 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 22,333 | 16,503 |
| Amortization | 6,049 | 221 |
| Provision for bad debt | 1,929 | 366 |
| Stock based compensation expense | 902 | 279 |
| Pension settlement and curtailment expenses | - | 3,964 |
| Excess tax benefits on stock option exercises | - | (70) |
| Deferred income taxes | 579 | 204 |
| Net loss on disposal of equipment | 111 | 158 |
| Realized loss on disposal of investments | 27 | 147 |
| Unrealized (gains) losses on investments | (104) | (94) |
| Net (gain) loss from patronage and equity investments | 173 | 15 |
| Other | 113 | 61 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (1,919) | (2,320) |
| Materials and supplies | (216) | 671 |
| Income taxes receivable | (843) | 5,531 |
| Increase (decrease) in: | | |
| Accounts payable | (1,224) | (3,853) |
| Deferred lease payable | 214 | 165 |
| Income taxes payable | - | 954 |
| Other prepaids, deferrals and accruals | 198 | 891 |
| Net cash provided by operating activities | \$ 34,341 | \$ 35,120 |
| Cash Flows From Investing Activities | | |
| Purchase and construction of property, plant and equipment | \$ (31,631) | \$ (19,264) |
| Proceeds from sale of assets | 920 | - |
| Proceeds from sale of equipment | 184 | 249 |
| Purchase of investment securities | (84) | (66) |
| Proceeds from sale of investment securities | 386 | 46 |
| Net cash used in investing activities | \$ (30,225) | \$ (19,035) |

(Continued)

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

| | Six Months Ended June 30, | |
|---|------------------------------|-------------------|
| | 2011 | 2010 |
| Cash Flows From Financing Activities | | |
| Principal payments on long-term debt | \$ (6,054) | \$ (2,259) |
| Excess tax benefits on stock option exercises | - | 70 |
| Repurchases of stock | (92) | - |
| Proceeds from exercise of incentive stock options | 8 | 554 |
| Net cash used in financing activities | \$ (6,138) | \$ (1,635) |
| Net increase (decrease) in cash and cash equivalents | \$ (2,022) | \$ 14,450 |
| Cash and cash equivalents: | | |
| Beginning | 27,453 | 12,054 |
| Ending | <u>\$ 25,431</u> | <u>\$ 26,504</u> |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash payments for: | | |
| Interest | <u>\$ 3,872</u> | <u>\$ 752</u> |
| Income taxes | <u>\$ 4,793</u> | <u>\$ 1,189</u> |

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, 2010. The balance sheet information at December 31, 2010 was derived from the audited December 31, 2010 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. Discontinued Operations

In September 2008, the Company announced its intention to sell its Converged Services operation, and the related assets and liabilities were reclassified as held for sale in the consolidated balance sheet and the historical operating results were reclassified as discontinued operations. Depreciation and amortization on long-lived assets was also discontinued.

During 2009 and 2010, the Company determined that the fair value of Converged Services had declined. Accordingly, the Company recorded an impairment loss of \$17.5 million (\$10.7 million, net of taxes) as of March 31, 2009, and recorded an additional impairment loss of \$1.9 million (\$1.1 million, net of taxes) as of December 31, 2010, to reduce the carrying value of these assets to their estimated fair value less cost to sell.

During the first quarter of 2011, the Company made the decision to transfer service contracts and related equipment for five Converged Services’ properties that were within the Shentel Cable franchised cable footprint and could be serviced by the Company’s nearby cable headends. These properties, with an aggregate net book value of approximately \$0.4 million, were transferred to Shentel Cable and have been reclassified from discontinued operations for all prior periods. The Company recorded an adjustment to depreciation expense of \$0.1 million to reduce the carrying value of the assets transferred to the lower of their carrying value net of the impairment charge or the carrying value as if depreciation had been recorded on these assets at all times.

During the second quarter of 2011, the Company sold service contracts and related equipment for seven Converged Services’ properties to a third-party purchaser, receiving cash proceeds of \$0.9 million (with an additional \$0.1 million in proceeds placed in escrow for twelve months). The total proceeds approximated the carrying value of the assets sold.

At June 30, 2011, negotiations with potential purchasers continue. Based upon indications of interest made by potential buyers in recent months, the Company has determined that there has been no change in the estimated fair value of the remaining assets in the aggregate. If sub-groupings of service contracts are sold in multiple transactions, the Company may incur losses on some and recognize gains on others.

Assets and liabilities held for sale consisted of the following:

| | <u>June 30, 2011</u> | <u>December 31, 2010</u> |
|------------------------------------|----------------------|------------------------------|
| Assets held for sale: | | |
| Property, plant and equipment, net | \$ 5,740 | \$ 6,614 |
| Intangible assets, net | 706 | 706 |
| Deferred charges | 739 | 1,310 |
| Other assets | 682 | 675 |
| | <u>\$ 7,867</u> | <u>\$ 9,305</u> |
| Liabilities: | | |
| Other liabilities | <u>\$ 799</u> | <u>\$ 910</u> |

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

| | Three Months Ended June 30, | |
|-------------------------------------|--------------------------------|----------|
| | 2011 | 2010 |
| Operating revenues | \$ 3,031 | \$ 3,255 |
| Earnings (loss) before income taxes | \$ (77) | \$ 98 |

| | Six Months Ended June 30, | |
|-------------------------------------|------------------------------|----------|
| | 2011 | 2010 |
| Operating revenues | \$ 6,337 | \$ 6,702 |
| Earnings (loss) before income taxes | \$ (131) | \$ 383 |

3. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

| | June 30, 2011 | December 31, 2010 |
|--|------------------|----------------------|
| | Plant in service | \$ 496,103 |
| Plant under construction | 22,526 | 25,515 |
| | 518,629 | 492,173 |
| Less accumulated amortization and depreciation | 229,292 | 212,122 |
| Net property, plant and equipment | \$ 289,337 | \$ 280,051 |

4. Earnings per share

Basic net income (loss) per share was computed on the weighted average number of shares outstanding. Diluted net income (loss) 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 521 thousand and 287 thousand shares and options outstanding at June 30, 2011 and 2010, respectively, 210 thousand and 215 thousand were anti-dilutive, respectively. These 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.

5. Investments Carried at Fair Value

Investments include \$2.4 million and \$2.3 million of investments carried at fair value as of June 30, 2011 and December 31, 2010, respectively, 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 six months ended June 30, 2011, the Company recognized \$27 thousand in net losses on dispositions of investments, recognized \$11 thousand in dividend and interest income from investments, and recognized net unrealized gains of \$104 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.

6. 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, and long-term debt. Due to the relatively short time frame to maturity of the Company's fixed rate debt, fair value approximates its carrying value.

The Company measures its interest rate swap at fair value based on information provided by the counterparty and recognizes it as a liability on the Company's condensed consolidated balance sheet. Changes in the fair value of the swap are recognized in interest expense, as the Company did not designate the swap agreement as a cash flow hedge for accounting purposes.

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) Wireline, and (3) Cable TV. A fourth segment, Other, primarily includes Shenandoah Telecommunications Company, the parent holding company as well as certain general and administrative costs historically charged to Converged Services that cannot be allocated to discontinued operations.

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 of Sprint Nextel. 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 Wireline segment provides regulated and unregulated voice services, dial-up and DSL internet access, and long distance access services throughout Shenandoah County and portions of northwestern Augusta County, Virginia, 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.

The Cable TV segment provides video, internet and voice services in Virginia, West Virginia and Maryland. It includes the operations acquired from JetBroadBand, LLC, since July 30, 2010, and the operations acquired from Suddenlink since November 30, 2010.

The financial information below includes revenues and related expenses billed by one segment of the Company to another segment within the Company. These internal revenues and related expenses are eliminated in order to arrive at the consolidated total revenues and expenses as shown below. All individual segment financial results includes these internal revenues and expenses, which are only eliminated at the consolidated level. Selected financial data for each segment is as follows:

Three months ended June 30, 2011

(In thousands)

| | Wireless | Wireline | Cable TV | Other | Eliminations | Consolidated Totals |
|--|-----------|----------|-----------|-------|--------------|---------------------|
| External revenues | | | | | | |
| Service revenues | \$ 33,806 | \$ 3,660 | \$ 14,602 | \$ - | \$ - | \$ 52,068 |
| Other | 2,927 | 4,407 | 2,153 | - | - | 9,487 |
| Total external revenues | 36,733 | 8,067 | 16,755 | - | - | 61,555 |
| Internal revenues | 801 | 4,199 | 79 | - | (5,079) | - |
| Total operating revenues | 37,534 | 12,266 | 16,834 | - | (5,079) | 61,555 |
| Operating expenses | | | | | | |
| Costs of goods and services, exclusive of depreciation and amortization shown separately below | 13,391 | 4,817 | 11,435 | 30 | (4,457) | 25,216 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | 7,651 | 1,866 | 4,234 | 772 | (622) | 13,901 |
| Depreciation and amortization | 6,140 | 2,155 | 6,088 | 61 | - | 14,444 |
| Total operating expenses | 27,182 | 8,838 | 21,757 | 863 | (5,079) | 53,561 |
| Operating income (loss) | 10,352 | 3,428 | (4,923) | (863) | - | 7,994 |

Three months ended June 30, 2010

| (In thousands) | Wireless | Wireline | Cable TV | Other | Eliminations | Consolidated Totals |
|--|---------------|---------------|----------------|----------------|----------------|---------------------|
| External revenues | | | | | | |
| Service revenues | \$ 26,264 | \$ 3,623 | \$ 3,679 | \$ - | \$ - | \$ 33,566 |
| Other | 3,008 | 5,395 | 392 | - | - | 8,795 |
| Total external revenues | 29,272 | 9,018 | 4,071 | - | - | 42,361 |
| Internal revenues | 759 | 3,439 | 14 | - | (4,212) | - |
| Total operating revenues | 30,031 | 12,457 | 4,085 | - | (4,212) | 42,361 |
| Operating expenses | | | | | | |
| Costs of goods and services, exclusive of depreciation and amortization shown separately below | | | | | | |
| | 9,993 | 4,594 | 4,367 | 65 | (3,741) | 15,278 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | | | | | | |
| | 4,820 | 3,334 | 2,224 | 903 | (471) | 10,810 |
| Depreciation and amortization | 5,286 | 1,935 | 1,195 | 67 | - | 8,483 |
| Total operating expenses | 20,099 | 9,863 | 7,786 | 1,035 | (4,212) | 34,571 |
| Operating income (loss) | 9,932 | 2,594 | (3,701) | (1,035) | - | 7,790 |

Six months ended June 30, 2011

| (In thousands) | Wireless | Wireline | Cable TV | Other | Eliminations | Consolidated Totals |
|--|---------------|---------------|-----------------|----------------|----------------|---------------------|
| External revenues | | | | | | |
| Service revenues | \$ 66,010 | \$ 7,245 | \$ 29,062 | \$ - | \$ - | \$ 102,317 |
| Other | 6,402 | 9,077 | 4,187 | - | - | 19,666 |
| Total external revenues | 72,412 | 16,322 | 33,249 | - | - | 121,983 |
| Internal revenues | 1,590 | 8,028 | 116 | - | (9,734) | - |
| Total operating revenues | 74,002 | 24,350 | 33,365 | - | (9,734) | 121,983 |
| Operating expenses | | | | | | |
| Costs of goods and services, exclusive of depreciation and amortization shown separately below | | | | | | |
| | 27,004 | 9,350 | 23,359 | 64 | (8,500) | 51,277 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | | | | | | |
| | 14,197 | 3,667 | 8,863 | 1,746 | (1,234) | 27,239 |
| Depreciation and amortization | 12,374 | 4,105 | 11,786 | 117 | - | 28,382 |
| Total operating expenses | 53,575 | 17,122 | 44,008 | 1,927 | (9,734) | 106,898 |
| Operating income (loss) | 20,427 | 7,228 | (10,643) | (1,927) | - | 15,085 |

Six months ended June 30, 2010

| (In thousands) | Wireless | Wireline | Cable TV | Other | Eliminations | Consolidated Totals |
|--|---------------|---------------|----------------|----------------|----------------|---------------------|
| External revenues | | | | | | |
| Service revenues | \$ 52,791 | \$ 7,000 | \$ 7,292 | \$ - | \$ - | \$ 67,083 |
| Other | 5,968 | 10,137 | 771 | - | - | 16,876 |
| Total external revenues | 58,759 | 17,137 | 8,063 | - | - | 83,959 |
| Internal revenues | 1,505 | 6,700 | 24 | - | (8,229) | - |
| Total operating revenues | 60,264 | 23,837 | 8,087 | - | (8,229) | 83,959 |
| Operating expenses | | | | | | |
| Costs of goods and services, exclusive of depreciation and amortization shown separately below | | | | | | |
| | 19,871 | 8,757 | 7,834 | 132 | (7,258) | 29,336 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | | | | | | |
| | 8,923 | 5,166 | 3,757 | 1,715 | (971) | 18,590 |
| Depreciation and amortization | 10,525 | 3,860 | 2,199 | 140 | - | 16,724 |
| Total operating expenses | 39,319 | 17,783 | 13,790 | 1,987 | (8,229) | 64,650 |
| Operating income (loss) | 20,945 | 6,054 | (5,703) | (1,987) | - | 19,309 |

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 June 30, | |
|---|--------------------------------|-----------------|
| | 2011 | 2010 |
| Total consolidated operating income | \$ 7,994 | \$ 7,790 |
| Interest expense | (2,846) | (266) |
| Non-operating income (expense), net | 166 | 106 |
| Income from continuing operations before income taxes | <u>\$ 5,314</u> | <u>\$ 7,630</u> |

| | Six Months Ended June 30, | |
|---|------------------------------|------------------|
| | 2011 | 2010 |
| Total consolidated operating income | \$ 15,085 | \$ 19,309 |
| Interest expense | (4,665) | (576) |
| Non-operating income (expense), net | 259 | 127 |
| Income from continuing operations before income taxes | <u>\$ 10,679</u> | <u>\$ 18,860</u> |

The Company's assets by segment are as follows:

| (In thousands) | June 30, 2011 | December 31, 2010 |
|---------------------------------------|-------------------|----------------------|
| Wireless | \$ 127,021 | \$ 124,854 |
| Wireline | 80,944 | 78,552 |
| Cable TV | 209,519 | 208,039 |
| Other (includes assets held for sale) | 395,251 | 393,340 |
| Combined totals | 812,735 | 804,785 |
| Inter-segment eliminations | (345,436) | (338,348) |
| Consolidated totals | <u>\$ 467,299</u> | <u>\$ 466,437</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 2007 are no longer subject to examination. The Company is under audit in the state of Maryland for the 2007, 2008 and 2009 tax years. No other state or federal income tax audits were in process as of June 30, 2011.

9. Long-Term Debt

As of June 30, 2011 and December 31, 2010, the Company's outstanding long-term debt consisted of the following:

(In thousands)

| | June 2011 | December 2010 |
|--------------------------|--------------|------------------|
| CoBank (fixed term loan) | \$ 5,777 | \$ 6,984 |
| CoBank Term Loan A | 182,683 | 187,428 |
| Other debt | 599 | 700 |
| | 189,059 | 195,112 |
| Current maturities | 19,559 | 14,823 |
| Total long-term debt | \$ 169,500 | \$ 180,289 |

As of June 30, 2011, the Company was in compliance with the covenants in its Credit Agreement.

10. Subsequent Events

Effective August 1, 2011, the Company amended its credit agreement dated July 30, 2010, changing the fixed charge coverage ratio covenant for the four-quarter periods ended September 30, 2011 and December 31, 2011, from a ratio of 0.80:1 to 0.75:1.

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, 2010. 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, 2010, 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 of Sprint Nextel) and local exchange telephone services, as well as cable television, video, Internet and data services, long distance, fiber optics facilities, and leased tower facilities. The Company has the following three reporting 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 of Sprint Nextel. 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 Wireline segment provides regulated and unregulated voice services, dial-up and DSL internet access, and long-distance access services throughout Shenandoah County and portions of northwestern Augusta County, Virginia, 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.
- * The Cable TV segment provides video, internet and voice services in franchise areas throughout Virginia, West Virginia and Maryland.
- * A fourth segment, Other, primarily includes Shenandoah Telecommunications Company, the parent holding company, as well as certain general and administrative costs historically charged to Converged Services that cannot be allocated to discontinued operations.

In September 2008, the Company announced its intention to sell its Converged Services operation, and the related assets and liabilities were reclassified as held for sale in the consolidated balance sheet and the historical operating results were reclassified as discontinued operations. Depreciation and amortization on long-lived assets was discontinued.

In March, 2009, the Company recorded an impairment loss of \$17.5 million (\$10.7 million, net of taxes) to reduce the carrying value of these assets to their estimated fair value less cost to sell. In December 2010, the Company recorded an additional impairment charge of \$1.9 million (\$1.1 million, net of tax), to reduce the carrying value of these assets to their revised estimated fair value less cost to sell. In March, 2011, the Company transferred service contracts for five properties from Converged Services to Shentel Cable, as these properties are located in the Company's franchise cable footprint as a result of the JetBroadBand acquisition. Operating results for these properties have been reclassified as continuing operations for all periods presented, and the Company recorded an adjustment to depreciation expense of \$0.1 million to reduce the carrying value of assets transferred to the lower of their carrying value net of the impairment charge or the carrying value as if depreciation had been recorded on these assets at all times. During the second quarter of 2011, the Company sold service contracts and related equipment for seven Converged Services' properties to a third-party purchaser, receiving cash proceeds of \$0.9 million (with an additional \$0.1 million in proceeds placed in escrow for twelve months). The total proceeds approximated the carrying value of the assets sold.

At June 30, 2011, negotiations with several potential purchasers continue. Based upon indications of interest made by potential buyers in recent months, the Company has determined that there has been no change in the estimated fair value of the remaining assets in the aggregate.

Acquisition of Virgin Mobile Customers and Initiation of Prepaid Wireless Sales

In July 2010, the Company acquired the right to receive a share of revenues from approximately 50,000 Virgin Mobile customers in our service area, and effective July 11, 2010, the Company began selling Virgin Mobile and Boost prepaid products and services. The Company incurs significant costs of acquisition (including handset subsidies, commissions, and other sales and marketing costs) in the month of customer activation. Due to expensing all costs of acquisition in the month of acquisition, the Company expects that the sale of prepaid products and services will have a net negative impact on operating results until the base of customers is sufficient such that the aggregate monthly revenue less recurring expenses exceeds the up-front costs for new activations.

Cable Acquisitions

On July 30, 2010, the Company completed the acquisition of cable operations and subscribers from JetBroadBand for approximately \$148 million in cash. The acquired cable operations offer video, high speed Internet and voice services representing approximately 66,000 revenue generating units in southern Virginia and southern West Virginia. The acquired networks pass approximately 115,000 homes. The operating results of the acquired cable operations are now included in the Company's Cable Television segment, significantly impacting that segment's operating revenues and expenses in subsequent periods.

On November 30, 2010, the Company completed the acquisition of two small cable systems from Suddenlink for \$4.5 million. These systems are located in West Virginia and Maryland, pass approximately 7,000 homes and represented approximately 4,200 revenue generating units.

Results of Operations**Three Months Ended June 30, 2011 Compared with the Three Months Ended June 30, 2010****Consolidated Results**

The Company's consolidated results from continuing operations for the second quarters of 2011 and 2010 are summarized as follows:

| (in thousands) | Three Months Ended June 30, | | Change | |
|---------------------------------------|--------------------------------|-----------|------------|---------|
| | 2011 | 2010 | \$ | % |
| Operating revenues | \$ 61,555 | \$ 42,361 | \$ 19,194 | 45.3 |
| Operating expenses | 53,561 | 34,571 | 18,990 | 54.9 |
| Operating income | 7,994 | 7,790 | 204 | 2.6 |
| Interest expense | (2,846) | (266) | (2,580) | (969.8) |
| Other income (expense) | 166 | 106 | 60 | 56.6 |
| Income before taxes | 5,314 | 7,630 | (2,316) | (30.4) |
| Income tax expense | 2,276 | 3,117 | 841 | 27.0 |
| Net income from continuing operations | \$ 3,038 | \$ 4,513 | \$ (1,475) | (32.7) |

Operating revenues

For the three months ended June 30, 2011, operating revenues increased \$19.2 million, or 45.3%. The increase was primarily due to incremental cable segment revenues of \$11.7 million resulting from the cable acquisitions which occurred in the latter half of 2010, and to \$5.3 million in incremental net revenues from prepaid PCS customers. Postpaid PCS revenues increased \$2.2 million over the second quarter of 2010, while cable revenues in the markets acquired in 2008 increased \$1.1 million over the second quarter of 2010. All other revenues decreased \$1.1 million, net, in the second quarter of 2011 from the second quarter of 2010.

Operating expenses

For the three months ended June 30, 2011, operating expenses increased \$19.0 million, or 54.9%, compared to the 2010 period. This increase included \$6.0 million of additional depreciation and amortization expense, including \$4.9 million associated with the cable systems acquired in July and December of 2010, and \$0.7 million associated with the acquisition of prepaid subscribers in the third quarter of 2010. Other cable segment operating expenses increased \$9.1 million overall, primarily due to \$6.6 million in direct incremental operating expenses associated with the cable operations acquired in 2010. Costs associated with prepaid PCS offerings totaled \$4.9 million in the 2011 second quarter, excluding amortization on the acquired subscribers. Wireless segment marketing costs increased \$0.7 million in the second quarter over the second quarter of 2010. Costs related to the expansion of the wireless network and the provision of high-speed wireless internet data access services added \$1.0 million in incremental site rent, power and backhaul costs. Costs related to increases in head count, salary and benefits added \$0.8 million in incremental costs. All other operating expenses increased \$0.3 million in the second quarter of 2011, compared to the second quarter of 2010. Operating expenses in 2010 included \$3.8 million related to the settlement of the Company's defined benefit pension plan and curtailment of the non-qualified supplemental retirement plan.

Interest expense

The increase in interest expense resulted primarily from the increased borrowings used to fund the JetBroadband cable acquisition in 2010. In addition, during the second quarter of 2011 the Company recorded \$0.6 million in interest expense, representing the change from March 31, 2011, in the fair value of the Company's interest rate swap contract. The Company also reversed \$0.4 million of interest previously capitalized to plant under construction, increasing interest expense for the second quarter of 2011.

Income tax expense

The Company's effective tax rate on income from continuing operations increased from 40.9% in the second quarter of 2010 to 42.8% in the second quarter of 2011 due to changes in the mix of taxable income to generally higher tax states and reductions of taxable income in generally lower tax states, primarily as a result of the expansion of cable operations.

Net income from continuing operations

For the three months ended June 30, 2011, net income from continuing operations decreased \$1.5 million, reflecting depreciation and amortization on the acquired businesses, costs of acquiring prepaid PCS and cable customers and the higher interest costs associated with funding the cable acquisitions.

Six Months Ended June 30, 2011 Compared with the Six Months Ended June 30, 2010**Consolidated Results**

The Company's consolidated results from continuing operations for the first six months of 2011 and 2010 are summarized as follows:

| (in thousands) | Six Months Ended June 30, | | Change | |
|---------------------------------------|------------------------------|-----------|------------|--------|
| | 2011 | 2010 | \$ | % |
| Operating revenues | \$ 121,983 | \$ 83,959 | \$ 38,024 | 45.3 |
| Operating expenses | 106,898 | 64,650 | 42,248 | 65.3 |
| Operating income | 15,085 | 19,309 | (4,224) | (21.9) |
| Interest expense | (4,665) | (576) | (4,089) | 709.9 |
| Other income (expense) | 259 | 127 | 132 | 103.9 |
| Income before taxes | 10,679 | 18,860 | (8,181) | (43.4) |
| Income tax expense | 4,581 | 7,766 | 3,185 | 41.0 |
| Net income from continuing operations | \$ 6,098 | \$ 11,094 | \$ (4,996) | (45.0) |

Operating revenues

For the six months ended June 30, 2011, operating revenues increased \$38.0 million, or 45.3%. The increase was primarily due to incremental cable segment revenues of \$23.4 million resulting from the cable acquisitions which occurred in the latter half of 2010, and to \$9.8 million in incremental net revenues from prepaid PCS customers. Postpaid PCS revenues increased \$3.5 million over the first half of 2010, while cable revenues in the markets acquired in 2008 increased \$2.0 million over the first half of 2010. All other revenues decreased \$0.7 million, net, in the first half of 2011 compared to the first half of 2010.

Operating expenses

For the six months ended June 30, 2011, operating expenses increased \$42.2 million, or 65.3%, compared to the 2010 period. This included an increase of \$11.7 million of depreciation and amortization expense, including \$9.1 million associated with the cable systems acquired in late 2010 and \$1.4 million of amortization associated with the prepaid subscribers acquired in the third quarter of 2010. Excluding depreciation, cable segment operating costs increased \$20.6 million overall in 2011 over 2010. The cable operations acquired in the second half of 2010 incurred \$14.8 million of direct incremental operating expenses, while the cable operations acquired in 2008 accounted for \$1.4 million of the year over year increase. Costs (other than amortization) associated with prepaid PCS offerings totaled \$9.7 million in 2011. Costs related to the expansion of the wireless network and the provision of high-speed wireless internet data access services added \$1.5 million in incremental site rent, power and backhaul costs. Marketing costs increased \$1.5 million in the Wireless segment in the 2011 first half over 2010. Costs related to increases in head count, salary and benefits added \$1.7 million in incremental costs. All other operating expenses decreased \$0.7 million in the first half of 2011, compared to the first half of 2010. Operating expenses in 2010 included \$3.8 million related to the settlement of the Company's defined benefit pension plan and curtailment of the non-qualified supplemental retirement plan.

Interest expense

The increase in interest expense resulted primarily from the increased borrowings used to fund the JetBroadband cable acquisition in 2010. In addition, during the first half of 2011 the Company recorded \$0.4 million in interest expense, representing the change from December 31, 2010, in the fair value of the Company's interest rate swap contract. The Company also reversed \$0.4 million of interest previously capitalized to plant under construction, increasing interest expense for 2011.

Income tax expense

The Company's effective tax rate on income from continuing operations increased from 41.2% in the first half of 2010 to 42.9% in the first half of 2011 due primarily to changes in the mix of taxable income to generally higher tax states and reductions of taxable income in generally lower tax states, primarily as a result of the expansion of cable operations.

Net income from continuing operations

For the six months ended June 30, 2011, net income from continuing operations decreased \$5.0 million, reflecting costs of acquiring prepaid PCS and cable customers and the higher interest costs associated with funding the cable acquisitions.

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 Company ("PCS"), a Sprint PCS Affiliate of Sprint Nextel. 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 Company ("Mobile").

PCS receives revenues from Sprint Nextel for subscribers that obtain service in PCS's network coverage area. PCS relies on Sprint Nextel to provide timely, accurate and complete information to record the appropriate revenue for each financial period. Postpaid revenues received from Sprint Nextel are recorded net of certain fees retained by Sprint Nextel. These fees totaled 16.8% of net postpaid billed revenue, as defined, until June 2010, when Sprint Nextel exercised its right to re-evaluate the net service fee component, and increased the total fees retained by Sprint Nextel to 20%. Sprint Nextel retains a 6% management fee on prepaid revenues.

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

| | June 30, 2011 | Dec. 31, 2010 | June 30, 2010 | Dec. 31, 2009 |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Retail PCS Subscribers – Postpaid (1) | 240,862 | 234,809 | 227,437 | 222,818 |
| Retail PCS Subscribers – Prepaid | 91,332 | 66,956 | n/a | n/a |
| PCS Market POPS (000) (2) | 2,397 | 2,337 | 2,337 | 2,327 |
| PCS Covered POPS (000) (2) | 2,114 | 2,049 | 2,046 | 2,033 |
| CDMA Base Stations (sites) | 507 | 496 | 483 | 476 |
| EVDO-enabled sites | 393 | 381 | 346 | 334 |
| EVDO Covered POPS (000) (2) | 2,045 | 1,981 | 1,959 | 1,940 |
| Towers | 149 | 146 | 142 | 140 |
| Non-affiliate cell site leases | 219 | 216 | 210 | 196 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------|------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Gross PCS Subscriber Additions – Postpaid | 14,673 | 14,740 | 30,159 | 29,668 |
| Net PCS Subscriber Additions – Postpaid | 3,037 | 2,911 | 6,053 | 4,619 |
| Gross PCS Subscriber Additions – Prepaid | 22,864 | n/a | 46,034 | n/a |
| Net PCS Subscriber Additions – Prepaid | 11,089 | n/a | 24,376 | n/a |
| PCS Average Monthly Retail Churn % - Postpaid | 1.62% | 1.66% | 1.69% | 1.79% |
| PCS Average Monthly Retail Churn % - Prepaid | 4.58% | n/a | 4.53% | n/a |

- 1) Postpaid subscriber counts for December 31, 2010 have been reduced by 888 to exclude certain rate plans incorrectly counted as subscribers in the latter months of 2010.
- 2) POPS refers to the estimated population of a given geographic area and is based on information purchased from third parties. 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.

Three Months Ended June 30, 2011 Compared with the Three Months Ended June 30, 2010

| (in thousands) | Three Months Ended June 30, | | Change | |
|--|--------------------------------|-----------|----------|--------|
| | 2011 | 2010 | \$ | % |
| Segment operating revenues | | | | |
| Wireless service revenue | \$ 33,806 | \$ 26,264 | \$ 7,542 | 28.7 |
| Tower lease revenue | 2,199 | 2,006 | 193 | 9.6 |
| Equipment revenue | 1,059 | 1,287 | (228) | (17.7) |
| Other revenue | 470 | 474 | (4) | (0.8) |
| Total segment operating revenues | 37,534 | 30,031 | 7,503 | 25.0 |
| Segment operating expenses | | | | |
| Cost of goods and services, exclusive of depreciation and amortization shown separately below | 13,391 | 9,993 | 3,398 | 34.0 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | 7,651 | 4,820 | 2,831 | 58.7 |
| Depreciation and amortization | 6,140 | 5,286 | 854 | 16.2 |
| Total segment operating expenses | 27,182 | 20,099 | 7,083 | 35.2 |
| Segment operating income | \$ 10,352 | \$ 9,932 | \$ 420 | 4.2 |

Operating revenues

Wireless service revenue increased \$7.5 million, or 28.7%, for the three months ended June 30, 2011, compared to the comparable 2010 period. Net prepaid revenue represented \$5.3 million of this increase. Average postpaid subscribers increased 6.0% in the current quarter compared to the 2010 second quarter, contributing to a 10.2% increase in postpaid voice service revenue. Total credits against gross billed revenue, including fees retained by Sprint Nextel and bad debt write-offs, increased \$1.5 million from the second quarter of 2010, principally due to the increase in the net service fee from 8.8% to 12.0% effective June 1, 2010. Fees retained by Sprint Nextel increased by \$1.4 million, or 24.0%, while bad debt write-offs declined by \$0.3 million, or 22.7%, and all other credits increased \$0.5 million.

The increase in tower lease revenue resulted primarily from additional cell site leases.

The decrease in equipment revenue resulted from an increase in the number of handset discounts offered in 2011 compared to the second quarter of 2010. The discounts were partially offset by a change in the mix of handsets sold.

Cost of goods and services

Cost of goods and services increased \$3.4 million, or 34.0%, in 2011 from the second quarter of 2010. Handset costs associated with prepaid customer acquisitions generated \$2.3 million of incremental costs on 22,864 gross adds, while postpaid handset costs increased \$0.1 million. Costs of the expanded network coverage and expansion of EVDO coverage and capacity resulted in a \$1.0 million increase in network costs including rent for additional tower and co-location sites, power and backhaul line costs.

Selling, general and administrative

Selling, general and administrative costs increased \$2.8 million, or 58.7%, in the second quarter of 2011 over the comparable 2010 period. Costs associated with prepaid customers accounted for \$2.6 million of the increase in costs, principally marketing and selling costs, including \$1.6 million in costs associated with gross adds and the remaining \$1.0 million to support the existing subscriber base. Operating taxes and other sales and marketing costs accounted for the remainder of the increase.

Depreciation and amortization

Depreciation and amortization increased \$0.9 million in 2011 over the 2010 second quarter, due to \$0.7 million of amortization of the initial purchase cost of acquired prepaid customers. The remainder of the increase resulted from capital projects for EVDO capability and new towers and cell sites placed in service since second quarter of 2010.

Six Months Ended June 30, 2011 Compared with the Six Months Ended June 30, 2010

| (in thousands) | Six Months Ended June 30, | | Change | |
|--|------------------------------|-----------|-----------|-------|
| | 2011 | 2010 | \$ | % |
| Segment operating revenues | | | | |
| Wireless service revenue | \$ 66,010 | \$ 52,791 | \$ 13,219 | 25.0 |
| Tower lease revenue | 4,375 | 3,954 | 421 | 10.6 |
| Equipment revenue | 2,628 | 2,505 | 123 | 4.9 |
| Other revenue | 989 | 1,014 | (25) | (2.5) |
| Total segment operating revenues | 74,002 | 60,264 | 13,738 | 22.8 |
| Segment operating expenses | | | | |
| Cost of goods and services, exclusive of depreciation and amortization shown separately below | 27,004 | 19,871 | 7,133 | 35.9 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | 14,197 | 8,923 | 5,274 | 59.1 |
| Depreciation and amortization | 12,374 | 10,525 | 1,849 | 17.6 |
| Total segment operating expenses | 53,575 | 39,319 | 14,256 | 36.3 |
| Segment operating income | \$ 20,427 | \$ 20,945 | \$ (518) | (2.5) |

Operating revenues

Wireless service revenue increased \$13.2 million, or 25.0%, for the six months ended June 30, 2011, compared to the comparable 2010 period. Net prepaid revenue represented \$9.8 million of this increase. Average postpaid subscribers increased 5.8% in the 2011 six months compared to the 2010 six months, contributing to an 8.5% increase in postpaid voice service revenue. Total credits against gross billed revenue, including fees retained by Sprint Nextel and bad debt write-offs, increased \$2.9 million from the first half of 2010, principally due to the increase in the net service fee from 8.8% to 12.0% effective June 1, 2010. Fees retained by Sprint Nextel increased by \$2.9 million, or 25.5%, while bad debt write-offs decreased by \$0.7 million, or 8.9%, and all other credits increased \$0.7 million.

The increase in tower lease revenue resulted primarily from additional cell site leases.

The increase in equipment revenue resulted from a change in the mix of handsets sold. Total gross revenue from handset sales was slightly higher in 2010. The increase was partially offset by an increase in the number of handset discounts offered in 2011 compared to the first half of 2010.

Cost of goods and services

Cost of goods and services increased \$7.1 million, or 35.9%, in 2011 from the first half of 2010. Handset costs associated with prepaid customer acquisitions generated \$4.8 million of incremental costs for 46,034 gross adds during the first half of 2011, while postpaid handset costs increased \$0.6 million. Costs of the expanded network coverage and expansion of EVDO coverage and capacity resulted in a \$1.8 million increase in network costs including rent for additional tower and co-location sites, power and backhaul line costs.

Selling, general and administrative

Selling, general and administrative costs increased \$5.3 million, or 59.1%, in the first half of 2011 over the comparable 2010 period. Costs associated with prepaid customers accounted for \$4.8 million of the increase in costs, principally marketing and selling costs, including \$2.8 million in costs associated with gross adds and \$2.0 million to support the existing customer base. Operating taxes and other sales and marketing costs (both exclusively postpaid, and shared prepaid and postpaid expenses) accounted for the remainder of the increase.

Depreciation and amortization

Depreciation and amortization increased \$1.8 million in 2011 over the first half of 2010, due principally to \$1.4 million of amortization of the initial purchase cost of acquired prepaid customers. The remainder of the increase resulted from capital projects for EVDO capability and new towers and cell sites placed in service since second quarter of 2010.

Cable Television

The Cable Television segment provides analog, digital and high-definition television service under franchise agreements in Virginia, West Virginia and Maryland.

The Company has been upgrading its cable systems since early 2009, and by December 2010 had completed upgrades to the systems acquired in late 2008. The Company has introduced expanded video and internet service offerings as market upgrades were completed beginning in the second half of 2009, and began introducing voice service in several upgraded markets as the first quarter of 2010 ended. The Company has continued rolling out expanded video services, internet and voice services to additional markets as upgrades have been completed.

The Company closed on the acquisition of cable operations from JetBroadBand effective July 30, 2010, and Suddenlink effective November 30, 2010. The acquired cable operations offer video, high speed Internet and voice services representing approximately 70,000 revenue generating units in Virginia, West Virginia and Maryland and pass approximately 122,000 homes. For the cable operations acquired in July 2010, systems passing approximately 10% of the homes have been upgraded. The Cable segment results include the operating results of the acquired operations from July 30, 2010 and November 30, 2010, forward, respectively.

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

| | June 30, 2011 | Dec. 31, 2010(1) | June 30, 2010(1) | Dec. 31, 2009(1) |
|-------------------------------|------------------|---------------------|---------------------|---------------------|
| Homes Passed (2) | 180,050 | 178,763 | 56,395 | 56,268 |
| Video | | | | |
| Customers (3) | 65,870 | 67,235 | 23,500 | 23,022 |
| Penetration (4) | 36.6% | 37.6% | 41.7% | 40.9% |
| Digital video customers (5) | 23,666 | 22,855 | 8,199 | 6,487 |
| Digital video penetration (5) | 35.9% | 34.0% | 34.9% | 28.2% |
| High-speed Internet | | | | |
| Available Homes (6) | 150,623 | 144,099 | 33,301 | 25,748 |
| Customers (3) | 33,680 | 31,832 | 4,261 | 2,525 |
| Penetration (4) | 22.4% | 22.1% | 12.8% | 9.8% |
| Voice | | | | |
| Available Homes (6) | 129,027 | 118,652 | 27,914 | - |
| Customers (3) | 7,794 | 6,340 | 840 | 22 |
| Penetration (4) | 6.0% | 5.3% | 3.0% | n/a |
| Revenue Generating Units (7) | 131,010 | 128,262 | 36,800 | 32,056 |
| Total Fiber Miles | 33,548 | 31,577 | 4,726 | 4,558 |
| Fiber Route Miles (8) | 1,854 | 1,389 | 417 | 403 |

- 1) In March 2011, the Company transferred five properties from its Converged Services subsidiary to Shentel Cable. Operating results for these 5 properties had been included in discontinued operations in prior periods. The Company has reclassified their operating results to continuing operations for all prior periods, and the customer counts for prior periods have been revised to include customers at these properties. As of December 31, 2010, these properties included 233 video customers, 449 internet customers, and 14 voice customers. Customer counts for prior periods were not significantly different for these properties. The Company also increased the number of internet customers as of December 31, 2010 by 503 customers, due to a computational error. In July 2010, the Company acquired cable operations covering approximately 115 thousand video homes passed, 101 thousand high-speed internet available homes, and 85 thousand voice available homes. These systems served approximately 41 thousand video subscribers, 21 thousand high-speed internet subscribers, and 3 thousand voice subscribers. In December 2010, the Company acquired two small systems covering approximately 7 thousand video homes passed, approximately 3 thousand video customers and 1 thousand high-speed internet customers.
- 2) 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.
- 3) Generally, a dwelling or commercial unit with one or more television sets connected to our distribution system counts as one video customer. Where video or internet 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 customers are those who receive any level of video service via digital transmission. A dwelling with one or more digital set-top boxes counts as one digital video customer. Digital video penetration is calculated by dividing the number of digital video customers by total video customers.
- 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. Homes passed in Shenandoah County are excluded from available homes as we do not offer high-speed internet or voice services over our co-axial distribution network in this market.
- 7) Revenue generating units are the sum of video, digital video, voice and high-speed internet customers. Consistent with industry practices, each digital video customer counts as two revenue generating units.
- 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.

Three Months Ended June 30, 2011 Compared with the Three Months Ended June 30, 2010

| (in thousands) | Three Months Ended | | Change | |
|--|--------------------|-------------------|-------------------|---------------|
| | 2011 | June 30, 2010 | \$ | % |
| Segment operating revenues | | | | |
| Service revenue | \$ 14,602 | \$ 3,679 | \$ 10,923 | 296.9 |
| Equipment and other revenue | 2,232 | 406 | 1,826 | 449.8 |
| Total segment operating revenues | 16,834 | 4,085 | 12,749 | 312.0 |
| Segment operating expenses | | | | |
| Cost of goods and services, exclusive of depreciation and amortization shown separately below | 11,435 | 4,367 | 7,068 | 161.9 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | 4,234 | 2,224 | 2,010 | 90.4 |
| Depreciation and amortization | 6,088 | 1,195 | 4,893 | 409.5 |
| Total segment operating expenses | 21,757 | 7,786 | 13,971 | 179.4 |
| Segment operating loss | \$ (4,923) | \$ (3,701) | \$ (1,222) | (33.0) |

Operating revenues

The cable operations acquired in 2010 generated \$10.2 million of the change in service revenue shown above. Legacy cable operations, which included the cable operations acquired in 2008, generated the balance of the increase. All but \$0.3 million of the change in equipment and other revenues was generated by the cable operations acquired in 2010.

Operating expenses

The cable operations acquired in 2010 represented \$11.5 million, including \$4.9 million of depreciation and amortization expenses, in direct operating expenses of the \$14.0 million increase shown above. Legacy cable operations incurred an incremental \$0.4 million in direct operating expenses, principally costs of acquiring customers, in the second quarter of 2010. Internally allocated costs (including all labor and benefits) represented the remainder of the increase in operating expenses, net of pension costs allocated to the cable segment in 2010.

Operating expenses are expected to continue at elevated levels until all networks are upgraded by the third quarter of 2012, and for a period of time thereafter while enhanced services marketing efforts continue in recently upgraded markets.

Six Months Ended June 30, 2011 Compared with the Six Months Ended June 30, 2010

| (in thousands) | Six Months Ended June 30, | | Change | |
|--|------------------------------|-------------------|-------------------|---------------|
| | 2011 | 2010 | \$ | % |
| Segment operating revenues | | | | |
| Service revenue | \$ 29,062 | \$ 7,292 | \$ 21,770 | 298.5 |
| Equipment and other revenue | 4,303 | 795 | 3,508 | 441.3 |
| Total segment operating revenues | 33,365 | 8,087 | 25,278 | 312.6 |
| Segment operating expenses | | | | |
| Cost of goods and services, exclusive of depreciation and amortization shown separately below | 23,359 | 7,834 | 15,525 | 198.2 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | 8,863 | 3,757 | 5,106 | 135.9 |
| Depreciation and amortization | 11,786 | 2,199 | 9,587 | 436.0 |
| Total segment operating expenses | 44,008 | 13,790 | 30,218 | 219.1 |
| Segment operating loss | \$ (10,643) | \$ (5,703) | \$ (4,940) | (86.6) |

Operating revenues

The cable operations acquired in 2010 generated \$20.3 million of the change in service revenue shown above. Legacy cable operations, which included the cable operations acquired in 2008, generated the balance of the increase. All but \$0.4 million of the change in equipment and other revenues was generated by the cable operations acquired in 2010.

Operating expenses

The cable operations acquired in 2010 generated \$23.5 million of the increase in segment operating expenses shown above, including \$9.1 million of depreciation and amortization expense. Legacy cable operations generated \$1.9 million in incremental operating expenses, including \$1.0 in costs to acquire customers, and the balance in network, maintenance and other incremental costs. Internally allocated costs (including all labor and benefits) represented the remainder of the increase in operating expenses, net of pension costs allocated to the cable segment in 2010.

Wireline

The Wireline segment is comprised of several subsidiaries providing telecommunications services. Through these subsidiaries, this segment provides regulated and unregulated voice services, dial-up and DSL internet access, and long distance access services throughout Shenandoah County and in portions of northwestern Augusta County, Virginia, 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.

| | June 30, 2011 | Dec. 31, 2010 | June 30, 2010 | Dec. 31, 2009 |
|------------------------------|------------------|------------------|------------------|------------------|
| Wireline Segment | | | | |
| Telephone Access Lines | 23,461 | 23,706 | 24,040 | 24,358 |
| Long Distance Subscribers | 10,647 | 10,667 | 10,804 | 10,851 |
| Total Fiber Miles | 73,064 | 71,118 | 68,092 | 53,511 |
| Fiber Route Miles (1) | 1,301 | 1,267 | 1,267 | 837 |
| DSL Subscribers | 12,200 | 11,946 | 11,670 | 10,985 |
| Dial-up Internet Subscribers | 1,733 | 2,190 | 2,677 | 3,359 |

(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 June 30, 2011 Compared with the Three Months Ended June 30, 2010

| (in thousands) | Three Months Ended June 30, | | Change | |
|--|--------------------------------|----------|---------|--------|
| | 2011 | 2010 | \$ | % |
| Segment operating revenues | | | | |
| Service revenue | \$ 4,021 | \$ 3,859 | \$ 162 | 4.2 |
| Access revenue | 3,647 | 3,657 | (10) | (0.3) |
| Facilities lease revenue | 3,934 | 3,742 | 192 | 5.1 |
| Equipment revenue | 7 | 10 | (3) | (30.0) |
| Other revenue | 657 | 1,189 | (532) | (44.7) |
| Total segment operating revenues | 12,266 | 12,457 | (191) | (1.5) |
| Segment operating expenses | | | | |
| Cost of goods and services, exclusive of depreciation and amortization shown separately below | 4,817 | 4,594 | 223 | 4.9 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | 1,866 | 3,334 | (1,468) | (44.0) |
| Depreciation and amortization | 2,155 | 1,935 | 220 | 11.4 |
| Total segment operating expenses | 8,838 | 9,863 | (1,025) | (10.4) |
| Segment operating income | \$ 3,428 | \$ 2,594 | \$ 834 | 32.2 |

Operating revenues

Operating revenues decreased \$0.2 million overall in the three months ended June 30, 2011, compared to the comparable 2010 period, due primarily to a decline in directory advertising revenue (included in other revenue) as a result of the sale of the telephone directory during the third quarter of 2010.

Operating expenses

Operating expenses overall decreased \$1.0 million, or 10.4%, primarily reflecting 2010 pension settlement related charges of \$2.0 million. The increase in cost of goods and services resulted from increased costs of obtaining service from third parties to provide voice services to Shentel Cable, related to the increase in facilities lease revenue shown above. The increase in depreciation resulted from plant upgrades to switch and circuit equipment since June 2010.

Six Months Ended June 30, 2011 Compared with the Six Months Ended June 30, 2010

| (in thousands) | Six Months Ended June 30, | | Change | |
|--|------------------------------|----------|----------|--------|
| | 2011 | 2010 | \$ | % |
| Segment operating revenues | | | | |
| Service revenue | \$ 7,976 | \$ 7,478 | \$ 498 | 6.7 |
| Access revenue | 6,865 | 6,861 | 4 | 0.1 |
| Facilities lease revenue | 7,718 | 7,105 | 613 | 8.6 |
| Equipment revenue | 18 | 28 | (10) | (35.7) |
| Other revenue | 1,773 | 2,365 | (592) | (25.0) |
| Total segment operating revenues | 24,350 | 23,837 | 513 | 2.2 |
| Segment operating expenses | | | | |
| Cost of goods and services, exclusive of depreciation and amortization shown separately below | 9,350 | 8,757 | 593 | 6.8 |
| Selling, general and administrative, exclusive of depreciation and amortization shown separately below | 3,667 | 5,166 | (1,499) | (29.0) |
| Depreciation and amortization | 4,105 | 3,860 | 245 | 6.4 |
| Total segment operating expenses | 17,122 | 17,783 | (661) | (3.7) |
| Segment operating income | \$ 7,228 | \$ 6,054 | \$ 1,174 | 19.4 |

Operating revenues

Operating revenues increased \$0.5 million overall in the six months ended June 30, 2011, compared to the first half of 2010, due to increased charges to affiliates for fiber to PCS towers, and network access charges for internet backhaul and telephone services to affiliates such as Shentel Cable. Partially offsetting these increases, other revenue declined due to the absence of directory advertising revenue effective April 2011, following the sale of the telephone directory during the third quarter of 2010. Local telephone rate increases taken in recent years have been offset by the losses in access lines and declining access rates.

Operating expenses

Operating expenses overall decreased \$0.7 million, or 3.7%, primarily reflecting 2010 pension settlement related charges of \$2.0 million. The increase in cost of goods and services resulted from increased costs of obtaining service from third parties to provide voice services to Shentel Cable, related to the increase in facilities lease revenue shown above. The increase in depreciation resulted from plant upgrades to switch and circuit equipment since June 2010.

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; share based compensation expense; business acquisition costs; and pension settlement and curtailment expenses. 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;
- the assets being depreciated and amortized will often 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 expenses incurred for the payment of income taxes and other 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 and six months ended June 30, 2011 and 2010:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------|--------------------------------|-----------|------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Adjusted OIBDA | \$ 23,031 | \$ 20,426 | \$ 44,369 | \$ 40,328 |

The following table reconciles adjusted OIBDA to operating income, which we consider to be the most directly comparable GAAP financial measure, for the three and six months ended June 30, 2011 and 2010:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------|------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating income | \$ 7,994 | \$ 7,790 | \$ 15,085 | \$ 19,309 |
| Plus depreciation and amortization | 14,444 | 8,483 | 28,382 | 16,724 |
| OIBDA | 22,438 | 16,273 | 43,467 | 36,033 |
| Plus pension settlement and curtailment expense | - | 3,781 | - | 3,781 |
| Plus business acquisition expenses | - | 235 | - | 235 |
| Plus share based compensation expense | 593 | 137 | 902 | 279 |
| Adjusted OIBDA | \$ 23,031 | \$ 20,426 | \$ 44,369 | \$ 40,328 |

The following tables reconcile adjusted OIBDA to operating income by major segment for the three months and six months ended June 30, 2011 and 2010:

Wireless Segment:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------|------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating income | \$ 10,352 | \$ 9,932 | \$ 20,427 | \$ 20,945 |
| Plus depreciation and amortization | 6,140 | 5,286 | 12,374 | 10,525 |
| OIBDA | 16,492 | 15,218 | 32,801 | 31,470 |
| Plus pension settlement and curtailment expense | - | 1,014 | - | 1,014 |
| Plus share based compensation expense | 165 | 49 | 250 | 100 |
| Adjusted OIBDA | \$ 16,657 | \$ 16,281 | \$ 33,051 | \$ 32,584 |

Cable Segment:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating income (loss) | \$ (4,923) | \$ (3,701) | \$ (10,643) | \$ (5,703) |
| Plus depreciation and amortization | 6,088 | 1,195 | 11,786 | 2,199 |
| OIBDA | 1,165 | (2,506) | 1,143 | (3,504) |
| Plus pension settlement and curtailment expense | - | 597 | - | 597 |
| Plus business acquisition expenses | - | 235 | - | 235 |
| Plus share based compensation expense | 220 | 27 | 335 | 56 |
| Adjusted OIBDA | \$ 1,385 | \$ (1,647) | \$ 1,478 | \$ (2,616) |

Wireline Segment:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating income | \$ 3,428 | \$ 2,594 | \$ 7,228 | \$ 6,054 |
| Plus depreciation and amortization | 2,155 | 1,935 | 4,105 | 3,860 |
| OIBDA | 5,583 | 4,529 | 11,333 | 9,914 |
| Plus pension settlement and curtailment expense | - | 1,960 | - | 1,960 |
| Plus business acquisition expenses | - | - | - | - |
| Plus share based compensation expense | 132 | 38 | 200 | 78 |
| Adjusted OIBDA | \$ 5,715 | \$ 6,527 | \$ 11,533 | \$ 11,952 |

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 \$34.3 million of net cash from operations in the first six months of 2011, compared to \$35.1 million in the first six months of 2010. Net income decreased from first half 2010 to first half 2011, principally due to non-cash items such as depreciation, amortization and provisions for bad debt.

Indebtedness. On July 30, 2010, the Company executed a Credit Agreement with CoBank, ACB as Co-Lead Arranger, Bookrunner and Administrative Agent; BB&T as Co-Lead Arranger and Syndication Agent; and Wells Fargo as Co-Lead Arranger and Documentation Agent, and with the participation of 15 additional banks, for the purpose of refinancing the Company's existing outstanding debt, funding the purchase price of the JetBroadBand acquisition, funding planned capital expenditures to upgrade the acquired cable networks, and other corporate needs.

As of June 30, 2011, the Company's indebtedness totaled \$189.1 million, with an annualized overall weighted average interest rate of approximately 3.58%. The balance included \$5.8 million fixed at 7.37% (the Fixed Term Loan Facility), and \$182.7 million (the Term Loan A Facility) at a variable rate of 3.20% as of June 30, 2011, that currently resets monthly based on one month LIBOR plus a base rate of 3.00%. The Company has an outstanding interest rate swap that effectively fixes the interest rate on one-third of the Term Loan A balance at the 3.00% base rate plus 1.00% through July 31, 2013. The Company has \$50 million available under the Revolving Facility, as well as additional capacity under the Incremental Term Loan facilities, entered into in 2010.

The Company is bound by certain financial covenants under the Credit Agreement dated July 30, 2010. 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 June 30, 2011, the Company was in compliance with all debt covenants, and ratios at June 30, 2011 were as follows:

| | Actual | Covenant Requirement at June 30, 2011 |
|-----------------------------|----------|--|
| Total Leverage Ratio | 2.16 | 2.50 or Lower |
| Debt Service Coverage Ratio | 5.03 | 2.25 or Higher |
| Equity to Assets Ratio | 42.2% | 35.0% or Higher |
| Fixed Charge Coverage Ratio | 0.86 | 0.80 or Higher |
| Minimum Liquidity Balance | \$ 73.8M | \$15.0M or Higher |

In accordance with the Credit Agreement, the total leverage, debt service coverage, and fixed charge coverage ratios noted above are based on the twelve months ended June 30, 2011. 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 June 30, 2011.

Under the Credit Agreement, the Company is restricted in its ability to pay dividends in the future. So long as no Default or Event of Default (as such term is defined in the credit agreement) exists before, or will result after giving effect to such dividends, distributions or redemptions on a pro forma basis, the Company may declare or pay a lawful dividend or other distribution of assets, or retire, redeem, purchase or otherwise acquire capital stock in an aggregate amount, which when added to any such dividends, distributions or redemptions of capital stock or other equity interest made, declared or paid from and after January 1, 2010 does not exceed 50% of the Company's consolidated net income (excluding non-cash extraordinary items such as write-downs or write-ups of assets, other than current assets) from October 1, 2009 to the date of declaration of any such dividends, distributions or redemptions. As of June 30, 2011, the Company's accumulated dividends declared plus stock repurchases stood at approximately 25% of cumulative net income, all as defined above.

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 2011 total approximately \$84.9 million, an increase of approximately \$29.0 million from total capital expenditures for the full year of 2010. Capital spending for 2011 will be predominantly focused in the Cable segment, reflecting upgrades to the networks and head-ends acquired in the 2010 cable acquisitions. Capital spending in the Wireless and Wireline segments will largely reflect capacity increases in the Wireless segment and fiber upgrades and expansion in the Wireline segment, partly in support of backhaul demand in the Wireless segment. Spending may shift amongst these priorities as opportunities arise.

For the first six months of 2011, the Company spent \$31.6 million on capital projects, compared to \$19.3 million in the comparable 2010 period. Spending related to Wireless projects accounted for \$6.0 million in the first six months of 2011 primarily for upgrading existing sites, while Wireline projects accounted for \$4.9 million across a variety of projects, Cable TV for \$19.9 million for plant and headend upgrades, and other projects totaling \$0.8 million, largely related to information technology projects and vehicle acquisitions.

The Company believes that cash on hand, cash flow from operations and borrowings available under the Revolving Facility 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 12 months. Thereafter, capital expenditures will likely continue to be required to provide increased capacity to meet the Company's expected growth in demand for its products and services and complete planned upgrades to the cable networks. 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 is in discussions with Sprint Nextel to determine the nature of our participation in Sprint Nextel's network modernization plan, known as Network Vision, which could require amendments to the Company's agreements with Sprint Nextel. Our participation in the Network Vision plan could require significant capital expenditures and result in increased operating costs. While the Company may be able to fund such costs from operations and currently available credit facilities, an amendment to the Company's credit facilities may be required. Whether such an amendment could be agreed to with the Company's lenders would depend upon the specifics of the proposal, and there is no guarantee that such an amendment would be forthcoming.

Subject to the foregoing, the Company currently expects that it will fund its future capital expenditures and other cash needs primarily with cash on hand, from operations and borrowing capacity under the Company's existing debt facilities.

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 Nextel, and other conditions. The Wireless segment's operations are dependent upon Sprint Nextel's ability to execute certain functions such as billing, customer care, and collections; the subsidiary's ability to develop and implement successful marketing programs and new products and services; and the subsidiary's ability to effectively and economically manage other operating activities under the Company's agreements with Sprint Nextel. The Company's ability to attract and maintain a sufficient customer base, particularly in the newly 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 June 30, 2011, 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 June 30, 2011, the Company had \$121.8 million of variable rate debt outstanding, bearing interest at a rate of 3.20%, based upon one month LIBOR. An increase in market interest rates of 1.00% would add approximately \$1.2 million to annual interest expense. The Company has an additional \$60.9 million of debt that is fixed, through an interest rate swap, at the Company's current base rate of 3.00% plus 1.00%, through July 31, 2013, when the interest rate swap expires and the remaining outstanding balance reverts to being variable at the base rate plus one month LIBOR. The remaining approximately \$5.8 million of the Company's outstanding debt has fixed rates through maturity. Due to the relatively short time frame to maturity of this fixed rate debt, market value approximates carrying value of the fixed rate 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 an institutional cash management fund that has limited interest rate risk. Management continues to evaluate the most beneficial use of these funds.

The third component of interest rate risk is marked increases in interest rates that may adversely affect the rate at which the Company may borrow funds for growth in the future. Management does not believe that this risk is currently significant because the Company's existing sources, and its commitments for future sources, of liquidity are adequate to provide cash for operations, payment of debt and funding of planned capital projects.

Management does not view market risk as having a significant impact on the Company's results of operations, although future results could be adversely affected if interest rates were to increase significantly for an extended period and the Company were to require additional external financing. The Company's investments in publicly traded stock and bond mutual funds under the rabbi trust, which are subject to market risks and could experience significant swings in market values, are offset by corresponding changes in the liabilities owed to participants in the Executive Supplemental Retirement Plan. General economic conditions affected by regulatory changes, competition or other external influences may pose a higher risk to the Company's overall results.

As of June 30, 2011, the Company has \$6.3 million of cost and equity method investments. Approximately \$2.9 million was invested in privately held companies directly or through investments with portfolio managers. Most of the companies are in an early stage of development and significant increases in interest rates could have an adverse impact on their results, ability to raise capital and viability. The Company's market risk is limited to the funds previously invested and an additional \$0.3 million committed under contracts the Company has signed with portfolio managers.

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. The Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2011.

Changes in Internal Control Over Financial Reporting

During the second quarter of 2011, 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 Nextel, Sprint Nextel provides the Company with billing, collections, customer care, certain network operations and other back office services for the PCS operation. As a result, Sprint Nextel remits to the Company approximately 54% of the Company's total operating revenues. Due to this relationship, the Company necessarily relies on Sprint Nextel 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 Nextel includes reports regarding the subscriber accounts receivable in the Company's markets. Sprint Nextel 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 Nextel, 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 20.0% of revenue retained by Sprint Nextel. Because of the Company's reliance on Sprint Nextel for financial information, the Company must depend on Sprint Nextel to design adequate internal controls with respect to the processes established to provide this data and information to the Company and Sprint Nextel's other Sprint PCS affiliate network partners. To address this issue, Sprint Nextel 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 for Affiliates" under guidance provided in Statement of Auditing Standards No. 70 ("SAS 70 reports"). The report is provided to the Company on an annual basis and covers a nine-month period. The most recent report covers the period from January 1, 2010 to September 30, 2010. 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 Nextel 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, 2010.

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

Sprint Nextel has announced a network modernization plan, known as Network Vision, that incorporates upgrades and improvements to its wireless networks, with the intention of improving voice quality, coverage and data speeds and simultaneously reducing future operating costs. We are in discussions with Sprint Nextel to determine the nature of our participation in the Network Vision plan. Our participation could require amendments to our agreements with Sprint Nextel, and there is no guarantee that we will be able to enter into such amendments on terms and conditions acceptable to us. In the event that we were unable to agree on the terms of such amendments, our participation as a seamless part of Sprint Nextel's national network could be jeopardized.

Our participation in the Network Vision plan could require significant capital expenditures and result in increased operating costs. While we may be able to fund such costs from operations and currently available credit facilities, an amendment to our credit facilities may be required. Whether such an amendment could be agreed to with our lenders would depend upon the specifics of the proposal, and there is no guarantee that such an amendment would be forthcoming.

The success of the Network Vision plan will depend on the timing, extent and cost of implementation; the performance of third parties; and our ability to negotiate favorable terms with partners, vendors, and lenders. If Network Vision does not provide an enhanced network experience, our ability to provide enhanced wireless services to our customers, to retain and attract customers, and to maintain and grow our customer revenues could be adversely affected. Should implementation of the Network Vision plan be delayed or costs exceed expected amounts, our margins would be adversely affected and such effects could be material. Should the delivery of services expected to be deployed on the upgraded network be delayed due to technological constraints, performance of third-party suppliers, or other reasons, the cost of providing such services could become higher than expected, which could produce higher costs to customers, potentially resulting in the loss of customers to our competitors, and adversely affecting our revenues, profitability and cash flows from operations.

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 June 30, 2011:

| | Number of Shares Purchased | Average Price Paid per Share |
|---------------------|----------------------------------|---------------------------------|
| April 1 to April 30 | 2 | \$ 18.11 |
| May 1 to May 31 | 2,580 | \$ 16.92 |
| June 1 to June 30 | 2,714 | \$ 17.81 |
| Total | 5,296 | \$ 17.38 |

ITEM 6. **Exhibits**

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

- 10.47 Second Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.47 to the Company's Current Report on Form 8-K dated April 29, 2011.
- 10.48 Third Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders.
- 10.49 Letter Agreement modifying section 10.2.7.2 of Addendum X dated March 15, 2010 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company.
- 10.50 Fourth Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders.
- 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.

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: August 8, 2011

EXHIBIT INDEX

| <u>ExhibitNo.</u> | <u>Exhibit</u> |
|--------------------------|---|
| 10.47 | Second Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders, filed as Exhibit 10.47 to the Company's Current Report on Form 8-K dated April 29, 2011. |
| 10.48 | Third Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders. |
| 10.49 | Letter Agreement modifying section 10.2.7.2 of Addendum X dated March 15, 2010 to Sprint PCS Management Agreement by and among Sprint Spectrum L.P., WirelessCo, L.P., APC PCS, LLC, PhillieCo, L.P., Sprint Communications Company L.P. and Shenandoah Personal Communications Company. |
| 10.50 | Fourth Amendment to the Credit Agreement dated as of July 30, 2010, among Shenandoah Telecommunications Company, CoBank, ACB, Branch Banking and Trust Company, Wells Fargo Bank, N.A., and other Lenders. |
| 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. |

THIRD AMENDMENT AGREEMENT

This **THIRD AMENDMENT AGREEMENT** (this "**Agreement**") is made and entered into as of June 29, 2011, 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 Credit Agreement, dated as of July 30, 2010 (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. Amendment. 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, Subsection 3.1(J) of the Credit Agreement is hereby amended by amending and restating such Subsection 3.1(J) in its entirety as follows:

(J) Indebtedness of Borrower to Shenandoah Telephone Company pursuant to intercompany loans with respect to the cash management system of Borrower and its Subsidiaries; provided that, such Indebtedness (i) shall be paid down in full by means of a dividend in the amount of the outstanding Indebtedness from Shenandoah Telephone Company to Borrower, to the extent such dividend is permitted by Applicable Law, at the earlier of (a) 55 days after the end of each prior fiscal quarter, and (b) the date that Borrower is or would be required to file Borrower's quarterly report with the Securities and Exchange Commission as part of Borrower's periodic reporting, and (ii) shall not exceed \$2,500,000 at any one time;

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.

[Signature Pages Removed.]



Sprint Nextel
 6480 Sprint Parkway
 KSOPHMO510-5A275
 Overland Park, KS 66251
 Phone: (913) 735-1051 Fax 913-523-0021

Jeff D. Hallock
 VP, National Channels

June 27th, 2011

Via Fax to 540-984-8192 and Email:

chris.french@emp.shentel.com

earle.mackenzie@emp.shentel.com

willy.pirtel@emp.shentel.com

ann.flowers@emp.shentel.com

Shenandoah Personal Communications Company
 500 Shentel Way
 Post Office Box 459
 Edinburg, Virginia 22824-0459
 Attention: Christopher French

Re: Sprint PCS Management Agreement dated November 5, 1999 between Sprint PCS and Shenandoah Personal Communications Company (“Shentel”) (as amended, the “Management Agreement”); Dual Mode (3G/4G) Distribution Agreement, dated March 15th, 2010, (“3G/4G) Distribution Agreement”)

Dear Chris:

Please be advised that Sprint PCS and Clearwire Communications, LLC (“Clearwire”) have finalized an agreement setting forth, among other terms, the amounts Sprint PCS will pay to Clearwire for usage of the 4G Network by 3G/4G subscribers in Shentel’s Service Area. Sprint PCS agreement with Clearwire impacts the Management Agreement and related agreements as discussed in more detail below.

The purpose of this letter is to (i) notify Shentel of an adjustment of the 3G/4G fee pursuant to Section 10.2.7.2 of the Management Agreement; (ii) propose application of the modified 3G/4G Fee and other terms to sales of certain 3G/4G devices which are currently authorized by letter agreements; and (iii) propose application of the modified 3G/4G Fee and other terms for future 3G/4G devices that may be authorized by Sprint PCS.

Unless otherwise provided, capitalized terms used in this letter will have the same meaning as defined in the Management Agreement.

3G/4G Fee under Management Agreement

Addendum X to the Management Agreement dated March 15th, 2010 (“Addendum X) sets forth in section 10.2.7.2 the – “3G/4G Fee”. The 3G/4G Fee is the monthly fee paid by Shentel for each 3G/4G subscriber in the Service Area to compensate Sprint PCs for the costs that Sprint PCS must pay to Clearwire when a Sprint PCS customer with a 3G/4G device uses the 4G Network. Addendum X provides that the 3G/4G Fee will be adjusted as necessary at three month intervals beginning January 1, 2011 to be equal to the estimated monthly average expense per subscriber that Sprint PCs will pay to Clearwire for usage of the 4G Network 3G/4G subscribers in Shentel’s Service Area. In view of its agreement with Clearwire, Sprint PCs is now able to estimate its monthly expense payable to Clearwire as contemplated by Addendum X. The next date for potential adjustment of the 3G/4G Fee is July 1, 2011.

Accordingly, beginning July 1, 2011, the 3G/4G Fee will be updated and applied as follows. Affiliate will pay to Sprint PCS the 3G/4G Fee for 4G data traffic generated by each 3G/4G subscriber in the affiliate's Service Area to compensate Sprint PCs for the Fee that Sprint PCs must pay to Clearwire when a Sprint PCs customer uses the WiMax 4G network. The 3G/4G Fee is a blended rate per MB with \$1.00 minimum for each subscriber with a 3G/4G capable device activated with any service plan, with or without any 4G data traffic. The number of 3G/4G subscribers for each billed month will be determined at the end of each month. The rate will be equal to the monthly blended rate that Clearwire assigns to Sprint PCS's total usage based on tiered volume pricing. The tier schedule rates will be updated each three-month period to be equal to the rates that Sprint PCS will pay to Clearwire for usage of the WiMax 4G Network by 3G/4G subscribers in Affiliate's Service area (regardless of whether the usage is inside or outside of the Service Area. The next quarterly update will occur, if applicable, effective on October 1, 2011.

Additional 3G/4G capable devices

To date addendum X has applied by its express terms to data only devices which are listed on Exhibit "A" of the 3G/4G Distribution Agreement. Sprint PCS has additionally authorized by separate letter agreements Shentel's sale of the following 3G/4G devices: HTC EVOtm 3D (collectively, the "Letter Agreements"). The Letter Agreement established temporary terms for sale of the designated devices consistent with the terms of Addendum X and the Distribution Agreement pending an offering of final terms by Sprint PCs based upon Sprint PCS's final agreement with Clearwire.

Now that Sprint PCS's agreement with Clearwire has been finalized, Sprint PCS proposes that the devices authorized by the letter Agreements may be sold under the following terms:

1. Current rates would continue to apply until July 1, 2011.

2. Effective July 1, 2011, the ten current 3G/4G Fee and other terms and conditions set forth in Addendum X to the Management Agreement will apply to all current 3G/4G capable devices authorized pursuant to the letter Agreements and to any additional or future devices authorized by Sprint PCs pursuant to the applicable inventory order form. The effect of this change will be to apply the 3G/4G Fee to WiMax usage generated via any 3G/4G capable device authorized by Sprint PCS. These terms are inclusive of current and future devices authorized by Sprint PCs with embedded 3G/4G data connection components (excluding Machine to Machine ("M2M) devices). The basis for this change is the fact that the fee will be applied equally to all usage independent of the device used to generate the usage. The rate is subject to future adjustment as provided in Section 10.2.7.2 of Addendum X.

Due to the unique nature of M2M revenues and device management, Addendum X does not apply to M2M devices. Terms for machine to machine business activity in affiliate territories will be defined in a future agreement.

3 Nothing herein authorizes Shentel to sell future devices that operate solely on the 4G Network. Such devices will be considered individually and, if authorized, will be governed by a separate letter agreement.

4 Additionally, upon Shentel's acceptance of this letter:

(a) The terms of the Letter Agreements will be deemed to expire effective July 1, 2011;

(b) Sprint PCS and Shentel agree to modify section 18.7 of the 3G/4G Distribution Agreement titled, "Products" to: (i) associate the 3G/4G Fees as provided in Addendum X and Section A above to 3G/4G capable devices approved by Sprint PCs (no longer data only devices listed in Exhibit A); to authorize the management of available devices.

5. Shentel and Sprint PCS agree and acknowledge that an effect of expanding the definition of "Product" in section 18.7 of the Distribution Agreement will be to eliminate the use of Exhibit A of the Distribution Agreement. Management of any 3G/4G devices available to be sold in Shentel's territory will be accomplished through the inventory order form and will be subject to Addendum X of the management Agreement, including Section 3.1.3. This process is consistent with the management of all CDMA devices available to be sold in Shentel's territories. Sprint PCS and Shentel will execute an amendment to modify the Distribution Agreement as contemplated in this letter.

Pursuant to the Letter Agreements, Shentel has 30 days from the date of this letter to acknowledge acceptance of the terms outlined herein for continued sale of the devices authorized in the Letter Agreements. If Shentel elects to reject the offered terms, the terms of the Letter Agreement will govern the rights and obligations of the parties with respect to the affected devices associated with the expiration of the Letter Agreements.

If you are in agreement with the terms of this letter, please sign below and return this letter to me at the above address.

SPRINT SPECTRUM L.P.

By: /s/ Jeff Hallock

Name: Jeff Hallock

Title: VP, National Channels

WIRELESSCO, L.P.

By: /s/ Jeff Hallock

Name: Jeff Hallock

Title: VP, National Channels

APC PCS, LLC

By: /s/ Jeff Hallock

Name: Jeff Hallock

Title: VP, National Channels

PHILLIECO, L.P.

By: /s/ Jeff Hallock

Name: Jeff Hallock

Title: VP, National Channels

SPRINT COMMUNICATIONS COMPANY L.P.

By: /s/ Jeff Hallock

Name: Jeff Hallock

Title: VP, National Channels

NEXTEL COMMUNICATIONS, INC.

By: /s/ Jeff Hallock

Name: Jeff Hallock

Title: VP, National Channels

Cc: Sprint Law Department
KSOPHT0101-Z2020
6391 Sprint Parkway
Overland Park, KS 66251
Attn: John Chapman

**ACCEPTED AND AGREED AS OF
THE DATE FIRST WRITTEN ABOVE:**

**SHENANDOAH PERSONAL COMMUNICATIONS
COMPANY**

By: _____

Name: _____

Title: _____

FOURTH AMENDMENT AGREEMENT

This **FOURTH AMENDMENT AGREEMENT** (this "**Agreement**") is made and entered into as of August 1, 2011, 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 Credit Agreement, dated as of July 30, 2010 (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. Amendment. 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, Subsection 4.4 of the Credit Agreement is hereby amended by amending and restating such Subsection 4.4 in its entirety as follows:

4.4 Fixed Charge Coverage Ratio. Commencing on the Closing Date, Borrower shall maintain at all times, measured at each fiscal quarter end, a Fixed Charge Coverage Ratio greater than the ratio set forth below opposite such date:

| Date | Covenant |
|---|-----------------|
| Closing Date through June 30, 2011 | 0.80:1.00 |
| July 1, 2011 through December 31, 2011 | 0.75:1.00 |
| January 1, 2012 through December 31, 2012 | 0.80:1.00 |
| January 1, 2013 through December 31, 2013 | 0.90:1.00 |
| January 1, 2014 and thereafter | 1.00:1.00 |

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.

[Signature Pages Removed.]

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: August 8, 2011

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: August 8, 2011

**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 June 30, 2011 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
August 8, 2011

/S/ADELE M. SKOLITS
Adele M. Skolits
Vice President - Finance and
Chief Financial Officer
August 8, 2011

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.
