SHENANDOAH TELECOMMUNICATIONS CO/VA/
Form 10-K
February 27, 2015

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K
(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from__________ to __________

Commission File No.: 000-09881

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

VIRGINIA	54-1162807
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 Shentel Way, Edinburg, Virginia	22824
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant at June 30, 2014 based on the closing price of such stock on the Nasdaq Global Select Market on such date was approximately $682,000,000.

The number of shares of the registrant's common stock outstanding on February 19, 2015 was 24,157,215.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2015 annual meeting of shareholders (the "2015 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2015 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

SHENANDOAH TELECOMMUNICATIONS COMPANY

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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PART I

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

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

ITEM 1. BUSINESS

Overview

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

Operating Segments

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

Wireless Segment

The business of the Wireless segment is conducted principally by the Company’s Shenandoah Personal Communications, LLC (“PCS”) subsidiary. As a Sprint PCS Affiliate of Sprint Communications, Inc. (“Sprint”), this subsidiary provides digital wireless service to a portion of a four-state area extending from Harrisburg, York and Altoona, Pennsylvania, to Harrisonburg, Virginia. The Company’s Shenandoah Mobile, LLC subsidiary owns 154 towers in the Company’s PCS service area, leases space on 153 towers to PCS and has 198 leases with other wireless communications providers at December 31, 2014.

PCS has offered personal communications services through a digital wireless telephone and data network since 1995. In 1999, this subsidiary executed a Management Agreement with Sprint. The network, which utilizes code division multiple access, or CDMA, currently covers 269 miles of Interstates 81 and 83, and a 177 mile section of the Pennsylvania Turnpike between Pittsburgh and Philadelphia, as well as many of the communities near these routes. The Sprint Affiliate area includes approximately 2.4 million residents, and our network currently covers more than 91% of them. In early 2012, the Company amended its Management Agreement with Sprint in connection with the Company’s commitment to build a 4G LTE network in the Company’s service area. Under its agreements with Sprint, the Company is the exclusive provider of wireless mobility communications network products and services in the 800 and 1900 megahertz spectrum ranges. The Company had 287,867 postpaid PCS customers at December 31, 2014, an increase of 5.2% compared to December 31, 2013. The Company had 145,162 prepaid wireless customers at December 31, 2014, an increase of 5.9% compared to December 31, 2013. Of the Company’s total operating revenues, 58.5% in 2014, 59.2% in 2013 and 58.6% in 2012 were generated by or through Sprint and its customers using the Company's portion of Sprint’s nationwide PCS network. No other customer relationship generated more than 1.5% of the Company’s total operating revenues in 2014, 2013 or 2012.

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

The Company records its postpaid PCS revenues, with the exception of certain roaming and equipment sales revenues, based on the net PCS revenues billed by Sprint, net of an 8% Management Fee and a Net Service Fee retained by Sprint. The Net Service Fee was 12.0% for 2011, 2012, and early 2013. Effective August 1, 2013, this fee increased to 14.0%, the maximum allowed under the Sprint agreement. Net PCS revenues billed by Sprint consist of gross monthly recurring charges for service, net of both recurring and non-recurring customer credits, account write offs and other billing adjustments. Neither the Management Fee nor the Net Service Fee are deferred.

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

Cable Segment

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

The Company has acquired several cable networks since 2008, and as of December 31, 2014, the Company has upgraded all of the markets acquired in these transactions. Most of these markets are connected by a fiber network of 2,834 miles, which interconnects with the Wireline segment's 1,556 mile fiber network.

There were 121,716 cable revenue generating units at December 31, 2014, an increase of 6.9% compared to December 31, 2013. A revenue generating unit consists of each separate service (video, voice and internet) subscribed to by a customer.

Wireline Segment

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

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

Shenandoah Telephone Company provides local telephone services to 21,612 customers as of December 31, 2014, primarily in Shenandoah County and small service areas in Rockingham, Frederick, Warren, and Augusta counties in Virginia. This subsidiary provides access for interexchange carriers to the local exchange network and switching for voice products offered through the Cable segment. This subsidiary has a 20 percent ownership interest in Valley Network Partnership ("ValleyNet"), which offers fiber network facility capacity to business customers and other telecommunications providers in western, central, and northern Virginia, as well as the Interstate 81 corridor from

Johnson City, Tennessee to Carlisle, Pennsylvania.

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Shentel Cable of Shenandoah County, LLC was created as a new subsidiary of the Wireline segment in December 2013. The video services offered in Shenandoah County share much of the network which the regulated telephone company uses to serve its customers. These services had previously been included in the Cable segment. The subsidiary provides video services to 5,692 customers as of December 31, 2014.

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

- Internet access to customers in the northern Shenandoah Valley and surrounding areas. The Internet service has 12,742 digital subscriber line, or DSL, customers at December 31, 2014. DSL service is available to all customers in the Company's regulated telephone service area.

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

- Resale of long distance service for calls placed to locations outside the regulated telephone service area by telephone customers. There were 9,571 long distance customers at December 31, 2014.

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

Other Segment

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

Additional information concerning the Company's operating segments is set forth in Note 15 of the Company's consolidated financial statements appearing elsewhere in this report.

Competition

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

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

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

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

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

Regulation

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

Regulation of Wireless Operations

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

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

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

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

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

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

PCS licenses are granted for ten-year terms. Sprint's PCS licenses for our service area are scheduled to expire on various dates between June 2015 and December 2024. Licensees have an expectation of license renewal if they have provided "substantial" service during its past license terms, and have "substantially" complied with FCC rules and policies, and with the Communications Act of 1934. All of the PCS licenses used in our wireless business have been successfully renewed since their initial grant.

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

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

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

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

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

Local Number Portability. All covered CMRS providers, including the Company, are required to allow wireless customers to retain their existing telephone numbers when switching from one telecommunications carrier to another. These rules are generally referred to as wireless local number portability ("LNP"). The future volume of any porting requests, and the processing costs related thereto, may increase our operating costs in the future. We are currently in compliance with LNP requirements. The FCC is considering recommendations to select a new Local Number Portability Administrator after the current administrator's contract expires in June 2015. The potential transition to a new Local Number Portability Administrator may impact our ability to manage number porting and related tasks, or may result in additional costs related to the transition.

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

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

Consumer Privacy. The Company is subject to various federal and state laws intended to protect the privacy of end-users who subscribe to the Company's services. For example, the FCC has regulations that place restrictions on the permissible uses that we can make of customer-specific information, known as Customer Proprietary Network Information ("CPNI"), received from subscribers, and that govern procedures for release of such information in order to prevent identity theft schemes. Other laws impose criminal and other penalties for the violation of certain CPNI requirements and related privacy protections. In addition, restrictions exist, and new restrictions are considered from time to time by Congress, federal agencies and states, on the extent to which wireless customers may receive unsolicited telemarketing calls, text messages, junk e-mail or spam. Congress, federal agencies and certain states also are considering, and may in the future consider imposing, additional requirements on entities that possess consumer information to protect the privacy of consumers. The Company is required to file an annual certification of compliance with the FCC's CPNI rules. Complying with these requirements may impose costs on us or compel us to alter the way we provide or promote our services.

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

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

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

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Accessibility. The FCC imposes obligations on telecommunications service providers, including wireless providers, intended to ensure that individuals with disabilities receive access to telecommunications services and equipment. In 2012, certain FCC rules became effective that require providers of advanced communications services (ACS) (such as email and text messaging) to make their services and products accessible to disabled persons, unless doing so is not achievable. The 2012 rules require extensive recordkeeping for both telecommunications services and ACS, and subject providers to significant penalties for non-compliance with accessibility requirements as well as for falsely certifying compliance with recordkeeping obligations. Similarly, existing FCC rules require us to offer a minimum number of hearing aid-compatible handsets to consumers. We cannot predict if or when additional changes will be made to the current FCC accessibility rules, or whether and how such changes will affect us.

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

Regulation of Wireline Operations

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

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

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

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

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

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

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

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

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

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

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

Broadband Services.

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

It is unclear what impact the Court's decision will have on the FCC's future regulation of Internet traffic and wireline broadband providers, like that provided by our ILEC, Shenandoah Telephone. The decision affirmatively recognizes the FCC's jurisdiction over the Internet, based on Section 706 of the Telecommunications Act of 1996. Under the court's reasoning, the FCC arguably could in the future resurrect the invalidated network neutrality regulations either by reclassifying broadband access as a telecommunications service subject to common carrier restrictions, by modifying the invalidated regulations so that they restrict broadband practices less rigidly than the regulations the

Court just invalidated, or by investigating and sanctioning conduct that the FCC considers inconsistent with net neutrality principles on a case-by-case basis, without expressly relying on “common carrier”-type regulation. On May 15, 2014 the FCC proposed new rules to replace those which had previously been struck down by the U.S. Court of Appeals for the D.C. Circuit. The agency proposed to expand the transparency rule, reinstate a prohibition against blocking, and adopt a “commercial reasonableness” standard that would limit harmful practices while also permitting broadband providers to serve customers and carry traffic on an individually negotiated basis.

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More recently, on February 4, 2015, the Chairman of the FCC released a fact sheet describing his proposed new rules. The FCC Chairman proposes to reclassify wireline and wireless broadband services as Title II common carrier services, and asserts legal authority to regulate broadband service offered by ISPs under Title II, Title III, and Section 706 of the Telecommunications Act. In an effort to protect consumers and edge providers, the new rules would prohibit ISPs from engaging in blocking, throttling, and paid prioritization, and the existing transparency rules would be enhanced. Reasonable network management activities would remain permitted. For the first time, the FCC would have authority to hear complaints and take enforcement action if it determines that the interconnection of ISPs are not just and reasonable, or if ISPs fail to meet a new general obligation not to harm consumers or edge providers. The Chairman has proposed forbearing from certain Title II regulation, such as rate regulation, tariffs and last-mile unbundling. He does not propose assessment of USF fees on broadband at this time. On February 26, 2015 the FCC adopted the Chairman's proposal to establish additional rules to reclassify and regulate broadband services. We expect there will be legal challenges filed by several different broadband providers, and possibly others, the success of which depends on numerous factors. There are also legislative proposals in Congress to preempt the Chairman's proposed "utility-style" regulation, while still addressing many of the underlying concerns. We do not know at the current time if the new regulations proposed by the Chairman will go into effect, nor do we know how they would be administered, but they could adversely affect the potential development of advantageous relationships with Internet content providers. Rules or statutes increasing the regulation of our Internet services could limit our ability to efficiently manage our networks and respond to operational and competitive challenges.

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

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

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

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

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

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

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

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

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

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

Pricing and Packaging. Federal law limits cable rate regulation to communities that are not subject to "effective competition," as defined by law. Absent a finding of effective competition by the FCC, federal law authorizes local franchising authorities to regulate the monthly rates charged for the minimum level of video programming service (the "basic service tier") and for the installation, sale and lease of equipment used by end users to receive the basic service tier. Although none of our cable communities have been found to be subject to effective competition, none of the local franchise authorities presently regulate our rates. Congress and the FCC from time to time have considered imposing new pricing and packaging restrictions on cable operators, including possible requirements to unbundle existing service tiers and provide cable programming on an a la carte basis. We cannot predict whether or when such new pricing and packaging restrictions may be imposed on us or what effect they would have on our ability to provide cable service.

Must-Carry/Retransmission Consent. Local commercial and non-commercial broadcast television stations can require a cable operator to carry their signals pursuant to federal "must-carry" requirements. Alternatively, local television stations may require that a cable operator obtain "retransmission consent" for carriage of the station's signal, which can enable a popular local television station to obtain concessions from the cable operator for the right to carry the station's signal. When stations choose retransmission consent over must-carry, both the station and the cable operator have a duty to negotiate in good faith for such consent. Although some local television stations today are carried by cable operators under the must-carry obligation, popular broadcast network affiliated stations (like ABC, CBS, FOX, CW and NBC) typically are carried pursuant to retransmission consent agreements. The cable industry's retransmission consent costs are increasing rapidly. In the past, proposals have been advanced in Congress and at the FCC to reform or eliminate retransmission consent, and legislation adopted in 2014 included limited reform measures while extending certain existing retransmission consent restraints. We are unable to predict what future changes, if any, Congress or the FCC might adopt in connection with retransmission consent and how such rules may affect our business.

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

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

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

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

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

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

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

Further regulatory changes are being considered that could impact our VoIP service. The FCC and state regulatory authorities are considering, for example, whether certain common carrier regulations traditionally applied to incumbent local exchange carriers should be modified or reduced, and the extent to which common carrier requirements should be extended to VoIP providers. The FCC has already determined that certain providers of voice services using Internet Protocol technology must comply with requirements relating to 911 emergency services, CALEA, USF contribution, customer privacy and CPNI issues, number portability, disability access, regulatory fees, and discontinuance of service. In March 2007, a federal appeals court affirmed the FCC's decision concerning federal regulation of certain VoIP services, but declined to specifically find that VoIP service provided by cable companies, such as we provide, should be regulated only at the federal level. As a result, some states, including West Virginia, have begun proceedings to subject cable VoIP services to state-level regulation. Although the West Virginia proceeding concluded without any new state-level regulation, it is difficult to predict whether it, or other state regulators, will continue to attempt to regulate our VoIP service. We have registered with, or obtained certificates or authorizations from, the FCC and the state regulatory authorities in those states in which we offer competitive voice services in order to ensure the continuity of our services and to maintain needed network interconnection arrangements. It is not clear how the FCC Chairman's proposal to reclassify wireline and wireless broadband services as Title II common carrier services, and pursuant to Section 706, will affect the regulatory status of our VoIP services. Further, it is also unclear whether and how these and other ongoing regulatory matters ultimately will be resolved.

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

Other Issues. Our ability to provide cable service may be affected by a wide range of additional regulatory and related issues, including FCC regulations pertaining to set-top boxes, equipment connectivity, program exclusivity blackouts, accessibility to persons with disabilities, emergency alerts, pole attachments, equal employment opportunity, privacy and technical standards. For example, following enactment of the 21st Century Communications and Video Accessibility Act, the FCC has adopted new rules and heightened enforcement of rules requiring captioning and description of video programming, accessibility of emergency information, and equipment and navigation devices. In addition, proceedings before the FCC and state regulatory bodies have examined the rates that cable operators must pay to use utility poles and conduits, and other terms and conditions of pole attachment agreements. In December 2014, as part of the Satellite Television Extension and Localism Act ("STELA") reauthorization, Congress repealed a prohibition on cable operators offering set-top boxes with integrated security and navigational features (effective December 4, 2015), but also directed the FCC to establish a working group of "technical experts" to identify downloadable security design options to facilitate consumer use of retail navigation devices in lieu of set-top boxes provided by cable operators. Third parties may use this process to advocate for additional regulations, such as requirements for cable operators to support a new interface that can be accessed by retail devices. We cannot predict the nature and pace of these and other developments or the effect they may have on our operations.

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Employees

At December 31, 2014, we had approximately 708 employees, of whom approximately 642 were full-time employees. None of our employees is represented by a union or covered by a collective bargaining agreement.

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Executive Officers

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

Name	Title	Age	Date in Position
Christopher E. French	President and Chief Executive Officer	57	April 1988
Earle A. MacKenzie	Executive Vice President and Chief Operating Officer	62	June 2003
Adele M. Skolits	Vice President – Finance, Chief Financial Officer and Treasurer	56	September 2007
William L. Pirtle	Vice President – Wireless	55	April 2004
Raymond B. Ostroski	General Counsel, Vice President-Legal and Secretary	60	January 2013
Thomas A. Whitaker	Vice President – Cable	54	June 2010
Edward H. McKay	Vice President – Wireline & Engineering	42	June 2010
Richard A. Baughman	Vice President – Information Technology	47	June 2010

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

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

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

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Mr. Pirtle is Vice President - Wireless for Shentel. He is responsible for the ongoing operations of the Wireless segment of the Company. He joined the Company in 1992 as Vice President of Network Services responsible for Shentel's technology decisions, and maintenance and operation of its networks – telephone, cable, cellular, paging and fiber optics. He helped launch Shentel's Internet business in 1994, and led its participation in its wireless PCS business beginning in 1995. He is a graduate of the University of Virginia. Mr. Pirtle is a co-founder of the Shenandoah Valley Technology Council.

Mr. Ostroski is General Counsel and Vice President - Legal and Secretary for Shentel. Prior to joining the Company in January 2013, Mr. Ostroski was a Partner in the law firm of Thomas, Long, Niesen & Kennard since 2012 and was the Principal at RBO Consulting from 2011 to 2012 and from 2007 to 2009. Mr. Ostroski also served as Executive Vice President and General Counsel for One Communications from 2009 to 2011 and Senior Vice President and General Counsel for Commonwealth Telephone Enterprises from 2001 to 2007. Mr. Ostroski began his career in the telecommunications industry in 1985 and also served as General Counsel to RCN Corporation and C-TEC Corporation prior to 2001. Mr. Ostroski earned a B.S. degree in Social Science from Wilkes University and also earned a J.D. degree from Temple University School of Law.

Mr. Whitaker is Vice President - Cable for Shentel. He is responsible for the ongoing operations of the Cable segment of the Company. Mr. Whitaker joined Shentel in 2004 through the Shentel acquisition of NTC Communications. Mr. Whitaker began his career in 1983. Mr. Whitaker was previously COO of NTC Communications, and served as VP of Network Operations at Broadslate Networks, Director of Wireless Operations for nTelos, and was Co-Founder and Vice President of Nat-Com, Incorporated. Mr. Whitaker is a graduate of West Virginia Wesleyan College in Buckhannon, WV.

Mr. McKay is Vice President – Wireline and Engineering for Shentel. He joined Shentel in 2004 and is responsible for the ongoing operations of the Wireline segment of the Company, as well as the network planning and engineering for Shentel’s networks. Mr. McKay began his telecommunications industry experience in 1996, including previous engineering management positions at UUNET and Verizon. He is a graduate of the University of Virginia, where he earned M.E. and B.S. degrees in Electrical Engineering. Mr. McKay serves as the Company’s designated representative on the ValleyNet Partnership Committee.

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

Websites and Additional Information

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

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ITEM 1A. RISK FACTORS

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

Risks Related to the Telecommunications Industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to our Overall Business Strategy

We may not benefit from our acquisition strategy.

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2014, we had $224.3 million of total long-term indebtedness, including the current portion of such indebtedness. Our level of indebtedness could have important consequences. For example, it may:

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

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

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- limit our ability to borrow additional funds to alleviate liquidity constraints, as a result of financial and other restrictive covenants in our credit agreement;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage relative to companies that have less indebtedness.

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

- incur additional indebtedness and additional liens on our assets;
- engage in mergers or acquisitions or dispose of assets;
- pay dividends or make other distributions;
- voluntarily prepay other indebtedness;
- enter into transactions with affiliated persons;
- make investments; and
- change the nature of our business.

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

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

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

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

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Disruptions of our information technology infrastructure could harm our business.

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

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

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

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

We are subject to laws, rules and regulations relating to the collection, use and security of user data. Our ability to execute transactions and to possess and use personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require us to notify customers or employees of a data security breach. We have incurred, and will continue to incur, expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

Risks Related to the Wireless Industry

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

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

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

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

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

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

Risks Related to our Wireless Services

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

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

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

Sprint is implementing a network modernization plan, known as Network Vision, which 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 participated in this plan, and to date, have upgraded the network in our service areas, on time and on budget.

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

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Our business may suffer as a result of competitive pressures.

Our revenue growth is primarily dependent on the growth of the subscriber base and monthly recurring charges to subscribers. In 2014, competitive pressures have moved the focus from unlimited individual plans to family shared data plans. These competitive pressures in the wireless telecommunications market could cause some major carriers to offer plans with increasingly larger bundles of minutes of use and data services at lower prices. Increased price competition will lead to lower monthly recurring charges or a loss of subscribers in the future. Continued competitive pressures in 2015 and beyond could require Sprint to lower its prices, which will limit growth in monthly recurring charges to subscribers.

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

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

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

Our business plan and estimated future operating results are based on estimates of key operating performance measures, including subscriber growth, subscriber turnover (commonly known as churn), average monthly revenue per subscriber, equipment revenue, and subscriber acquisition costs and other operating costs. Recent moves by all carriers to offer installment billing and leasing for handsets will have an effect on revenues, cost of goods sold, and churn. Since these plans are new to the industry, the full impact of these changes cannot be determined at this time. The dynamic nature of the wireless market, economic conditions, increased competition in the wireless telecommunications industry, the entry of new competitors due to recent or future FCC spectrum auctions, new service offerings by Sprint or competitors at lower prices, and other issues facing the wireless telecommunications industry in general have created a level of uncertainty that may adversely affect our ability to predict these key measures of performance.

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

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

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

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

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

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

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

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

Risks Related to Our Relationship with Sprint

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

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

- Sprint could price its national plans based on its own objectives and could set price levels or other terms that may not be economically advantageous for us;
- Sprint could develop products and services that could adversely affect our results of operations;
- if Sprint’s costs to perform certain services exceed the costs they expect, subject to limitations under our agreements, Sprint could seek to increase the amounts charged to us for such services;
- Sprint could make decisions that could adversely affect the Sprint brand names, products or services;
- Sprint could make technology and network decisions that could greatly increase our capital investment requirements and our operating costs to continue offering the seamless national service we provide;
- Sprint could restrict our ability to offer new services needed to remain competitive. This could put us at a competitive disadvantage relative to other wireless service providers if they begin offering new services in our market areas, increasing our churn and reducing our revenues and operating income from wireless services.

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

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

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

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

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

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

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

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

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

The risks related to our roaming arrangements include the following:

- the quality of the service provided by another provider while roaming may not approximate the quality of the service provided by the Sprint wireless network;
- the price of a roaming call off network may not be competitive with prices of other wireless companies for roaming calls, or may not be "commercially reasonable" (as determined by the FCC);
- customers may not be able to use Sprint's advanced features, such as voicemail notification, while roaming; and
- Sprint or the carriers providing the service may not be able to provide accurate billing information on a timely basis.

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

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

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

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

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

- Sprint gives preference to other distribution channels;

- we do not adequately project our need for handsets;

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

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

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

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

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

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

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

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

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Risks Related to Our Cable Services

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

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

Our programming costs are subject to demands for increased payments.

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

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

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

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

Many franchises establish comprehensive facilities and service requirements, as well as specific customer service standards and monetary penalties for non-compliance. In many cases, franchises are terminable if the franchisee fails to comply with significant provisions set forth in the franchise agreement governing system operations. Franchises are generally granted for fixed terms and must be periodically renewed. Franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate. Franchise authorities often demand concessions or other commitments as a condition to renewal. In some instances, local franchises have not been renewed at expiration, and we have operated and are operating under either temporary operating agreements or without a franchise while negotiating renewal terms with the local franchising authorities.

We cannot assure you that we will be able to comply with all significant provisions of our franchise agreements. Additionally, although historically we have renewed our franchises without incurring significant costs, we cannot assure you that we will be able to renew, or to renew as favorably, our franchises in the future. A termination of or a sustained failure to renew a franchise in one or more key markets could adversely affect our business in the affected geographic area.

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Pole attachments are wires and cables that are attached to utility poles. Cable system attachments to investor-owned public utility poles historically have been regulated at the federal or state level, generally resulting in reasonable pole attachment rates for attachments used to provide cable service. In contrast, utility poles owned by municipalities or cooperatives are not subject to federal regulation and are generally exempt from state regulation and their attachment rates tend to be higher. In 2011, the FCC amended its pole attachment rules to promote broadband deployment. The order overall strengthens the cable industry's ability to access investor-owned utility poles on reasonable rates, terms and conditions It also allows for new penalties in certain cases involving unauthorized attachments that could result in additional costs for cable operators. The new rules were affirmed in 2013. Future regulatory changes in this area could impact the pole attachment rates we pay utility companies.

In December 2014, as part of the STELA Reauthorization Act, Congress repealed a prohibition on cable operators offering set-top boxes with integrated security and navigational features (effective December 4, 2015), but also directed the FCC to establish a working group of “technical experts” to identify downloadable security design options to facilitate consumer use of retail navigation devices in lieu of set-top boxes provided by cable operators. Third parties may use this process to advocate for additional regulations, such as requirements for cable operators to support a new interface that can be accessed by retail devices. We cannot predict the nature and pace of these and other developments or the effect they may have on our operations. New regulations could increase our cost for equipment, affect our relationship with our customers, and/or enable third parties to try to offer equipment that accesses disaggregated cable content merged with other services delivered over the Internet to compete with our premium service offerings.

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

At December 31, 2014, we had non-amortizing cable franchise rights of approximately $64.1 million which constituted approximately 10.3% of total assets at that date. If we make changes in our business strategy or if market or other conditions adversely affect our cable operations, we may be forced to record an impairment charge, which would lead to a decrease in the carrying value of the Company’s assets and reduction in our net operating performance. We test non-amortizing intangible assets for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value of the non-amortizing intangible assets and the fair value of the non-amortizing intangible assets, in the period in which the determination is made. The testing of non-amortizing intangible assets for impairment requires the Company to make significant estimates about the future performance and cash flows of our Cable segment, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in underlying business operations, future reporting unit operating performance, changes in competition, or changes in technologies. Any changes to key assumptions about our Cable segment’s business and its future prospects, or actual performance compared with those assumptions, or other assumptions, could affect the fair value of our Cable segment non-amortizing intangibles, resulting in an impairment charge.

Risks Related To Our Broadband Services

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

The Company provides broadband Internet access services to its cable and telephone customers through cable modems and digital subscriber lines (“DSL”), respectively. The FCC has adopted “open internet” rules, also referred to as “net neutrality,” that could affect the Company’s provision of broadband services. On January 14, 2014, the D.C. Circuit Court of Appeals, in Verizon v. FCC, struck down major portions of the FCC’s 2010 net neutrality rules governing the operating practices of broadband Internet access providers like us. The FCC originally designed the rules to ensure an "open Internet" and included three key requirements for broadband providers: 1) a prohibition against blocking websites or other online applications; 2) a prohibition against unreasonable discrimination among Internet users or among different websites or other sources of information; and 3) a transparency requirement compelling the disclosure of network management policies. The Court struck down the first two requirements, concluding that they constitute "common carrier" restrictions that are not permissible given the FCC's earlier decision to classify Internet access as an "information service," rather than a "telecommunications service." The Court upheld the FCC's transparency requirement.

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On May 15, 2014, the FCC initiated a new rulemaking to re-issue network neutrality regulations relying on either Section 706 of the Telecommunications Act of 1996 or Title II of the Communications Act. More recently, on February 4, 2015, the Chairman of the FCC released a fact sheet describing his proposed new rules. The FCC Chairman proposes to reclassify wireline and wireless broadband services as Title II common carrier services, and asserts legal authority to regulate broadband service offered by ISPs under Title II, Title III, and Section 706 of the Telecommunications Act. In an effort to protect consumers and edge providers, the new rules would prohibit ISPs from engaging in blocking, throttling, and paid prioritization, and the existing transparency rules would be enhanced. Reasonable network management activities would remain permitted. For the first time, the FCC would have authority to hear complaints and take enforcement action if it determines that the interconnection of ISPs are not just and reasonable, or if ISPs fail to meet a new general obligation not to harm consumers or edge providers. The Chairman has proposed forbearing from certain Title II regulation, such as rate regulation, tariffs and last-mile unbundling. He does not propose assessment of USF fees on broadband at this time. On February 26, 2015 the FCC adopted the Chairman’s proposal to establish additional rules to reclassify and regulate broadband services. We expect there will be legal challenges filed by several different broadband providers, and possibly others, the success of which depends on numerous factors. There are also legislative proposals in Congress to preempt the Chairman’s proposed “utility-style” regulation, while still addressing many of the underlying concerns. We do not know at the current time if the new regulations proposed by the Chairman will go into effect, nor do we know how they would be administered, but they could limit our ability to efficiently manage our cable systems and respond to operational and competitive challenges. Such rules or statutes could also restrict arrangements between us and Internet content, application, and service providers, including backbone connection arrangements. In addition, if the FCC were to adopt new rules under a Title II framework, the reclassification of broadband services as Title II common carrier services could subject our services to far more extensive and burdensome federal and state regulation.

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

Risks Related to Our Voice Services

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

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

The FCC has already extended certain traditional telecommunications carrier requirements to many VoIP providers such as us, including E911, USF collection, CALEA, privacy of CPNI, number porting, rural call completion, outage reporting, disability access and discontinuance of service requirements. In November 2011, the FCC released an order significantly changing the rules governing intercarrier compensation payments for the origination and termination of telephone traffic between carriers, including VoIP service providers like us. The Tenth Circuit Court of Appeals upheld the rules in May, 2014. The new rules will result in a substantial decrease in intercarrier compensation payments over a multi-year period. In addition, the potential transition of Local Number Portability Administrators may impact our ability to manage number porting and related tasks, and/or may result in additional costs arising from the transition to a new administrator.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

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

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

The Company leases land, buildings and tower space in support of its Wireless operations. As of December 31, 2014, the Company had 537 PCS sites, including Wireless sites on property owned by the Company, and 14 leased retail locations.

The Company owns or leases other warehouse, office and retail space in various locations to support its operations. The leases for the foregoing land, buildings and tower space expire on various dates between 2015 and 2040. For information about these leases, see Note 13 to the consolidated financial statements appearing elsewhere in this report. The Company plans to lease additional land, equipment space, and retail space in support of its operations.

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

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PART II

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

The Company's stock is traded on the NASDAQ Global Select Market under the symbol "SHEN." The following table shows the closing high and low sales prices per share of common stock as reported by the NASDAQ Global Select Market for each quarter during the last two years:

2014	High	Low
Fourth Quarter	$31.99	$24.17
Third Quarter	31.05	24.81
Second Quarter	32.62	25.65
First Quarter	33.45	23.36

2013	High	Low
Fourth Quarter	$28.69	$22.92
Third Quarter	24.10	17.15
Second Quarter	17.81	14.23
First Quarter	16.04	13.76

As of February 19, 2015, there were 4,242 holders of record of the Company's common stock.

Shenandoah Telecommunications Company historically has paid annual cash dividends on or about December 1 of each year. The cash dividend was $0.47 per share in 2014 and $0.36 per share in 2013. Dividends are paid to Shenandoah Telecommunications Company shareholders from accumulated dividends paid to it by its operating subsidiaries. Under the Company's credit agreement with CoBank dated September 14, 2012, the Company is restricted in its ability to pay dividends in the future. So long as no Default or Event of Default (as such term is defined in the credit agreement) exists before, or will result after giving effect to such dividends, distributions or redemptions on a pro forma basis, the Company may declare or pay a lawful dividend or other distribution of assets, or retire, redeem, purchase or otherwise acquire capital stock in an aggregate amount which when added to any such dividends, distributions or redemptions of capital stock or other equity interest made, declared or paid from and after January 1, 2012 does not exceed $5 million plus 50% of the Company's consolidated net income (excluding non-cash extraordinary items such as write-downs or write-ups of assets, other than current assets) from January 1, 2012 to the date of declaration of any such dividends, distributions or redemptions.

The following graph and table show the cumulative total shareholder return on the Company's common stock compared to the NASDAQ US Index and the NASDAQ Telecommunications Index for the period between December 31, 2009 and December 31, 2014. The NASDAQ Telecommunications Index includes 116 companies that represent a wide mix of telecommunications service and equipment providers and smaller carriers that offer similar products and serve similar markets. The graph assumes $100 was invested on December 31, 2009 in the Company's common stock, and the other two indexes, and that all dividends were reinvested and market capitalization weighting as of December 31, 2010, 2011, 2012, 2013 and 2014.

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

	2009	2010	2011	2012	2013	2014
Shenandoah Telecommunications Company	100	94	54	81	138	170
NDAQ US	100	118	118	137	183	206
NDAQ Telecom Stocks	100	119	127	152	172	177

The Company maintains a dividend reinvestment plan (the "DRIP") for the benefit of its shareholders. When shareholders remove shares from the DRIP, the Company issues a certificate for whole shares, pays out cash for any fractional shares, and cancels the fractional shares purchased. In addition, in conjunction with the award of shares or exercises of stock options, the Company periodically repurchases shares from certain recipients to cover the minimum statutory tax withholding requirements associated with the transaction. The following table provides information about the Company's repurchases of shares during the three months ended December 31, 2014:

	Number of Shares Purchased	Average Price Paid per Share
October 1 to October 31	-	$ -
November 1 to November 30	4	28.58
December 1 to December 31	8	31.25
Total	12	$ 30.36

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ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial data as of December 31, 2014, 2013, 2012, 2011, and 2010 and for each of the years in the five-year period ended December 31, 2014.

The selected financial data as of December 31, 2014 and 2013 and for each of the years in the three-year period ended December 31, 2014 are derived from the Company's audited consolidated financial statements appearing elsewhere in this report. The selected financial data as of December 31, 2012, 2011, and 2010 and for the years ended December 31, 2011 and 2010 are derived from the Company's audited consolidated financial statements not included in this report.

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

(in thousands, except share and per share data)

	2014	2013	2012	2011	2010
Operating revenues	$326,946	$308,942	$288,075	$251,145	$195,206
Operating expenses	265,003	253,535	253,417	218,855	162,875
Operating income	61,943	55,407	34,658	32,290	36,331
Interest expense	8,148	8,468	7,850	8,289	4,716
Income taxes	22,151	19,878	12,008	10,667	13,393
Net income from continuing operations	$33,883	$29,586	$16,603	$13,538	$18,774
Discontinued operations, net of tax (a)	-	-	(300)	(545)	(699)
Net income	$33,883	$29,586	$16,303	$12,993	$18,075
Total assets	619,242	597,006	570,740	479,979	466,437
Total debt – including current maturities	224,250	230,000	231,977	180,575	195,112
Shareholder Information:					
Shares outstanding	24,132,497	24,040,277	23,962,110	23,837,528	23,766,873
Income per share from continuing operations-diluted	$1.41	$1.23	$0.69	$0.57	$0.79
Loss per share from discontinued operations-diluted	-	-	(0.01)	(0.02)	(0.03)
Net income per share-diluted	1.39	1.23	0.68	0.55	0.76
Cash dividends per share	$0.47	$0.36	$0.33	$0.33	$0.33

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

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

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

General

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

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

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

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

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

Significant Transactions

The 2014, 2013 and 2012 financial results of the Company reflected several significant transactions. These transactions should be noted in understanding the financial results of the Company for 2014, 2013 and 2012.

Segment Restructuring

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

County share much of the network which the regulated telephone company uses to serve its customers. These services had previously been included in the Cable segment.

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Second, primarily as a result of the restructuring described above, the Company's allocations of certain shared general and administrative expenses were updated to reflect how the senior management team makes financial decisions and manages resources. Since the Vice Presidents managing the operating segments do not directly control these expenses, the Company has chosen to record these at the holding company. As a result, certain costs, including finance and accounting, executive management, legal, human resources, and IT management are now recorded to the Other segment as corporate costs. In this way, segment performance presents a clearer picture of the trends in an individual segment's profitability. The 2013 and 2012 results have been adjusted to conform to the 2014 presentation.

Network Vision

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

Based upon the initial timetable and revisions, the Company determined that changes to the remaining depreciable lives for base stations and certain other assets were required, adding $8.4 million of additional depreciation expense to 2012's results and $3.4 million to 2013. The 4G LTE base stations require either fiber or microwave backhaul. Accordingly, the Company replaced the copper-based T1 circuits it previously had with fiber and microwave technology. In addition to incurring the costs to install the new backhaul facilities, the Company incurred duplicate network costs during the replacement period for each base station, and higher monthly costs of the higher capacity circuits (though much less expensive per megabit of capacity) following the upgrade. However, the additional capacity of the new fiber-based backhaul facilities will delay the need to further upgrade its capacity to accommodate additional network traffic. During 2013, based upon Company projections, the Company determined that microwave equipment used to backhaul wireless traffic from approximately 150 of its cell sites would be inadequate to carry its traffic by 2016, and accordingly, reduced the remaining useful life of this class of assets. As of December 31, 2014, the Company expects to replace microwave backhaul facilities that it deployed at approximately 100 of its cell sites with fiber-based backhaul facilities in 2015 or 2016.

Revision of Prepaid Cost Pass-throughs

In July 2010, the Company executed an amendment to its Management Agreement with Sprint to allow the Company to participate in Sprint's prepaid wireless offerings. The amendment specified that the revenue and cost per unit (per average subscriber or per gross addition or upgrade, as defined) as determined by Sprint on a national basis would be passed through to the Company. In December 2012, Sprint determined it had incorrectly calculated certain cost pass-throughs from inception of the Company's participation, and reimbursed the Company for $11.8 million to correct its errors from July 2010 through September 2012. The Company recognized this receipt as a reduction of expenses in the quarter and year ended December 31, 2012. Approximately $6.1 million of this adjustment related to miscalculations of costs incurred in 2010 and 2011.

Goodwill Impairment

During 2012, the Company determined that the fair value of the Company's then-configured Cable segment had declined during the year, and that the goodwill had become impaired. As a result the Company recorded an $11.0 million write-down of Cable segment in December of 2012. Factors contributing to these determinations included weak economic conditions, underperformance relative to market operating margins and penetration levels, and continued capital spending to upgrade the last remaining markets, improve the customer experience, and combat subscriber loss. In conjunction with the Segment Restructuring discussed above, $3.3 million of the write-down is now presented in the 2012 results of the Wireline Segment.

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Critical Accounting Policies

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

Revenue Recognition

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

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

Allowance for Doubtful Accounts

Estimates are used in determining the allowance for doubtful accounts and are based on historical collection and write-off experience, current trends, credit policies, and the analysis of the accounts receivable by aging category. In determining these estimates, the Company compares historical write-offs in relation to the estimated period in which the subscriber was originally billed. The Company also looks at the historical average length of time that elapses between the original billing date and the date of write-off and the financial position of its larger customers in determining the adequacy of the allowance for doubtful accounts. From this information, the Company assigns specific amounts to the aging categories. The Company provides an allowance for all receivables over 60 days old and partial allowances for all other receivables. The Company does not carry an allowance for receivables related to Sprint PCS customers. In accordance with the terms of the affiliate contract with Sprint, the Company receives payment from Sprint for the monthly net billings to PCS customers in weekly installments over the following four or five weeks.

Income Taxes

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

Leases

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

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Long-lived Assets

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

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

Intangible Assets

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

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

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

Other

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

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Results of Continuing Operations

2014 Compared to 2013

Consolidated Results

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

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

Operating revenues

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

Operating expenses

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

Income tax expense

The Company’s effective tax rate decreased from 40.2% in 2013 to 39.5% in 2014. The 2013 period included $0.5 million in unfavorable adjustments from finalizing the estimated effects of restructuring entities during 2012. The 2014 period included $0.2 million in favorable adjustments to estimates made for the 2013 federal and state returns filed in September 2014. The Company anticipates that its effective tax rate will be approximately 39.5% in 2015.

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Net income

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

Wireless

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

PCS receives revenues from Sprint for subscribers that obtain service in PCS's network coverage area. PCS relies on Sprint to provide timely, accurate and complete information to record the appropriate revenue for each financial period. Postpaid revenues received from Sprint are recorded net of certain fees retained by Sprint. These fees totaled 20% of net postpaid billed revenue, as defined, during 2012 and through July 31, 2013. Based upon an analysis of the balance of payments between Sprint and Shentel, effective August 1, 2013, Sprint increased the net service fee to 14%, bringing the total fee retained by Sprint to 22%.

During the first quarter of 2012, the Company entered into agreements with Sprint and Alcatel-Lucent to begin adding 4G LTE service to the Company's Wireless network. The 4G service uses base station equipment acquired from Alcatel-Lucent in conjunction with Sprint's wireless network upgrade plan known as Network Vision.

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

During 2014, the Company's PCS stores began participating in Sprint's postpaid handset financing programs, whereby Sprint enters into a financing agreement with the subscriber and the subscriber receives a handset from Sprint. The equipment revenue from the subscriber and the handset expense are Sprint's responsibility and are not recorded by the Company.

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

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Retail PCS Subscribers – Postpaid	287,867	273,721	262,892
Retail PCS Subscribers – Prepaid	145,162	137,047	128,177
PCS Market POPS (000) (1)	2,415	2,397	2,390
PCS Covered POPS (000) (1)	2,207	2,067	2,057
CDMA Base Stations (sites)	537	526	516
Towers Owned	154	153	150
Non-affiliate Cell Site Leases (2)	198	217	216
Gross PCS Subscriber Additions – Postpaid	72,891	66,558	69,124

Net PCS Subscriber Additions – Postpaid	14,146		10,829		14,272	
PCS Average Monthly Retail Churn % - Postpaid (3)	1.76	%	1.75	%	1.79	%
Gross PCS Subscriber Additions – Prepaid	74,838		76,416		72,793	
Net PCS Subscriber Additions – Prepaid	8,115		8,870		21,077	
PCS Average Monthly Retail Churn % - Prepaid (3)	4.00	%	4.24	%	3.67	%

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

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

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

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

Operating revenues

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

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

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Operating expenses

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

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

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

Cable

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

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

	Dec. 31, 2014		Dec. 31, 2013		Dec. 31, 2012	
Homes Passed (1)	171,589		170,470		168,475	
Customer Relationships (2)						
Video customers	49,247		51,197		52,676	
Non-video customers	22,051		18,341		15,709	
Total customer relationships	71,298		69,538		68,385	
Video						
Customers (3)	52,095		53,076		54,840	
Penetration (4)	30.4	%	31.1	%	32.6	%
Digital video penetration (5)	65.9	%	49.2	%	39.5	%
High-speed Internet						
Available Homes (6)	171,589		168,255		163,273	
Customers (3)	51,359		45,776		40,981	
Penetration (4)	29.9	%	27.2	%	25.1	%
Voice						
Available Homes (6)	168,852		163,282		154,552	
Customers (3)	18,262		14,988		12,262	
Penetration (4)	10.8	%	9.2	%	7.9	%
Revenue Generating Units (7)	121,716		113,840		108,083	
Fiber Route Miles	2,834		2,636		2,155	
Total Fiber Miles (8)	72,694		69,296		56,030	

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1) Homes and businesses are considered passed ("homes passed") if we can connect them to our distribution system without further extending the transmission lines. Homes passed is an estimate based upon the best available information.
2) Customer relationships represent the number of customers who receive at least one of our services.
3) Generally, a dwelling or commercial unit with one or more television sets connected to our distribution system counts as one video customer. Where services are provided on a bulk basis, such as to hotels, universities and some multi-dwelling units, the revenue charged to the customer is divided by the rate for comparable service in the local market to determine the number of customer equivalents included in the customer counts shown above.
4) Penetration is calculated by dividing the number of customers by the number of homes passed or available homes, as appropriate.
5) Digital video penetration is calculated by dividing the number of digital video customers by total video customers. Digital video customers are video customers who receive any level of video service via digital transmission. A dwelling with one or more digital set-top boxes or digital adapters counts as one digital video customer.
6) Homes and businesses are considered available ("available homes") if we can connect them to our distribution system without further extending the transmission lines and if we offer the service in that area.
7) Revenue generating units are the sum of video, voice and high-speed internet customers.
8) Fiber miles are measured by taking the number of fiber strands in a cable and multiplying that number by the route distance. For example, a 10 mile route with 144 fiber strands would equal 1,440 fiber miles. Fiber counts were revised following a review of fiber records in the fourth quarter of 2014.

(in thousands)	Years Ended December 31,		Change	
	2014	2013	$	%
Segment operating revenues				
Service revenue	$70,972	$65,657	$5,315	8.1
Equipment and other revenue	13,581	10,215	3,366	33.0
Total segment operating revenues	$84,553	$75,872	$8,681	11.4
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	51,982	45,767	6,215	13.6
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	19,521	19,052	469	2.5
Depreciation and amortization	23,148	21,202	1,946	9.2
Total segment operating expenses	94,651	86,021	8,630	10.0
Segment operating loss	$(10,098)	$(10,149)	$51	0.5

Operating revenues

Cable segment service revenue increased $5.3 million, or 8.1%, due to a 6.4% increase in average revenue generating units, a video rate increase in January 2014, and customers selecting higher-priced digital TV services and higher-speed data access packages.

Growth in equipment and other revenue was driven primarily by a $2.3 million increase in equipment rents, due to a change in January 2014 of charging customers separately for their first set top box, which previously had been included in the service fee. Additionally, customer use of digital converter boxes grew as the Company converted markets to all-digital signals. Facility lease revenue grew $0.6 million due to new contracts with third parties. Installation revenue increased $0.2 million.

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Operating expenses

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

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

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

Wireline

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

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Telephone Access Lines	21,612	22,106	22,342
Long Distance Subscribers	9,571	9,851	10,157
Video Customers	5,692	6,342	6,719
DSL Subscribers	12,742	12,632	12,611
Fiber Route Miles	1,556	1,452	1,420
Total Fiber Miles (1)	86,801	84,600	83,642

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. Fiber counts were revised following a review of fiber records in the fourth quarter of 2014.

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(in thousands)	Years Ended December 31,		Change	
	2014	2013	$	%
Segment operating revenues				
Service revenue	$22,450	$22,141	$309	1.4
Access revenue	11,498	11,721	(223)	(1.9)
Facilities lease revenue	25,585	21,836	3,749	17.2
Equipment revenue	54	49	5	10.2
Other revenue	3,448	3,723	(275)	(7.4)
Total segment operating revenues	$63,035	$59,470	$3,565	6.0
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	30,088	28,603	1,485	5.2
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	6,009	5,344	665	12.4
Depreciation and amortization	11,224	11,308	(84)	(0.7)
Total segment operating expenses	47,321	45,255	2,066	4.6
Segment operating income	$15,714	$14,215	$1,499	10.5

Operating revenues

Total operating revenues in 2014 increased $3.6 million over 2013. Increases in service revenue resulted primarily from increases in revenues to provide broadband services. The decrease in access revenue is the result of 2013 changes in certain intrastate access charges. Facility lease revenue grew $3.7 million due to additional leasing of fiber backhaul facilities to new and existing customers. Other revenue decreased $0.3 million due to the conclusion of billings for transition services to buyers of Converged Services' properties.

Operating expenses

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

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2013 Compared to 2012

Consolidated Results

The Company's consolidated results from continuing operations for the years ended December 31, 2013 and 2012 are summarized as follows:

(in thousands)	Years Ended December 31,		Change	
	2013	2012	$	%
Operating revenues	$308,942	$288,075	20,867	7.2
Operating expenses	253,535	253,417	118	0.0
Operating income	55,407	34,658	20,749	59.9
Other income (expense)	(5,943)	(6,047)	104	1.7
Income tax expense	19,878	12,008	7,870	65.5
Net income from continuing operations	$29,586	$16,603	12,983	78.2

Operating revenues

Operating revenues increased $20.9 million, or 7.2%, in 2013 over 2012, primarily due to an increase of $18.5 million in the Wireless segment and $5.0 million in the Cable segment. The increase in the Wireless segment resulted from increases in postpaid service revenues of $11.1 million and $8.9 million in prepaid service revenues. The postpaid revenues grew as a result of a 4.1% increase in subscribers during the year, and incremental data fees charged to customers with smartphones. The prepaid service revenues grew as a result of improved product mix and a 6.9% increase in prepaid customers during 2013. The Cable segment revenues grew primarily due to revenue generating unit growth of 11.7% and 22.2% in high speed data and voice service, respectively. The growth in revenue described above was partially offset by a $2.0 million increase in affiliated revenue, which is eliminated in consolidation.

Operating expenses

During the fourth quarter of 2012, the Company received $11.8 million from Sprint to reduce cost allocations relating to our participation in Sprint's prepaid program beginning in July 2010 and continuing through September 30, 2012. The expense reduction reduced costs of goods and services sold by $8.4 million and selling, general and administrative expenses by $3.4 million, and reflected the recalculation of certain expenses, costs per gross addition (including the cost of handsets) and cash cost per user, associated with the program. Had Sprint calculated these costs consistently in previous years, $6.1 million of the $11.8 million would have been recorded in 2010 and 2011.

Adjusting for the effect of the prepaid wireless expense reduction discussed above, operating expenses decreased $6.0 million compared to the 2012 period. Cable segment operating expenses decreased $6.3 million, due to a $7.7 million write-off of goodwill in 2012, partially offset by 2013 growth in network costs, programming costs, and costs for customer service. The adjusted Wireless segment accounted for a year over year increase of $5.6 million, principally due to increased costs to add and maintain prepaid subscribers and growth in rent and maintenance expenses associated with the rollout of LTE coverage. These Wireless segment increases were partially offset by a decrease in depreciation expense due to less accelerated depreciation on assets to be replaced by Network Vision in the current year. Wireline segment operating expenses decreased $3.2 million, due to a $3.3 million write-off of goodwill in 2012.

Other income (expense)

The change in other income (expense) was driven by activity in patronage income and interest expense in 2013 over 2012. Other income increased $0.8 million primarily due to higher patronage income, resulting from the changes to the Company's banking arrangements in 2012. Interest expense grew $1.4 million in 2013 as a result of higher outstanding debt balances, and was partially offset by the 2012 write-off of $0.8 million of unamortized loan costs.

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Income tax expense

The Company's effective tax rate on income from continuing operations decreased from 42.0% in 2012 to 40.2% in 2013 principally due to changes undertaken in 2012 to simplify the Company's corporate structure that reduced the impact of state taxes on the Company's overall effective tax rate.

Net income from continuing operations

Net income from continuing operations increased $13.0 million in 2013 from 2012, primarily as a result of the 2012 goodwill impairment, the continued growth in the Wireless and Cable segments and the decrease in the effective tax rate.

Wireless

(in thousands)	Years Ended December 31, 2013	2012	Change $	%
Segment operating revenues				
Wireless service revenue	$182,955	$162,912	$20,043	12.3
Tower lease revenue	10,339	9,114	1,225	13.4
Equipment revenue	5,218	5,982	(764)	(12.8)
Other revenue	(387)	1,630	(2,017)	(123.7)
Total segment operating revenues	$198,125	$179,638	$18,487	10.3
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	72,995	63,906	9,089	14.2
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	32,812	27,281	5,531	20.3
Depreciation and amortization	28,177	31,660	(3,483)	(11.0)
Total segment operating expenses	133,984	122,847	11,137	9.1
Segment operating income	$64,141	$56,791	$7,350	12.9

Operating revenues

Wireless service revenue increased $20.0 million, or 12.3%, for 2013 over 2012. Net postpaid service revenues increased $11.1 million, driven by a $7.3 million increase in data fees and a 4.1% increase in subscribers during 2013. The net service fee retained by Sprint increased from 12% of net billed revenues to 14% on August 1, 2013, reducing net postpaid service revenue by $1.2 million, or approximately $0.2 million per month. Net prepaid service revenues grew $8.9 million, or 28.3%, due to improved product mix and 12.9% growth in average prepaid subscribers during 2013.

The increase in tower lease revenue resulted primarily from rent increases related to tenants installing 4G equipment on our towers.

The decrease in net equipment revenue resulted primarily from higher promotional activity during the current year.

The decrease in other revenue primarily resulted from a $0.8 million adjustment to straight-line rent accruals related to termination of Sprint iDEN leases at a small number of sites and from a $0.5 million decline in federal Universal

Service Fund ("USF") revenue from Sprint.

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Operating expenses

During the fourth quarter of 2012, the Company received $11.8 million from Sprint to correct errors in its cost allocations relating to our participation in Sprint's prepaid program beginning in July 2010 and continuing through September 30, 2012. The expense reduction reflected the recalculation of certain expenses, including the cost of handsets, costs per gross addition and cash cost per user, associated with the program. The expense reductions for 2010 and 2011 lowered total operating expenses in 2012 by $6.1 million.

Cost of goods and services

Costs of goods and services increased $9.1 million, or 14.2%, in 2013 from 2012. After adjusting for the effect of the prepaid wireless expense reduction discussed above, cost of goods and services increased $4.8 million, or 7.1%, in 2013 from 2012. Costs of the expanded network coverage and roll-out of LTE coverage resulted in a $2.6 million increase in network costs, including a $3.2 million increase in rent expense, partially offset by lower backhaul expenses. Cost of goods and services related to prepaid customers increased $1.8 million, or 16.1%, in 2013 over 2012 primarily due to a 17.5% increase in the number of subsidized handsets sold. Maintenance expense increased $0.8 million due to increases in maintenance contracts that support the upgraded wireless network.

Selling, general and administrative

Selling, general and administrative costs increased $5.5 million, or 20.3%, in 2013 from 2012. After adjusting for the effect of the prepaid wireless expense reduction discussed above, selling, general and administrative expenses increased $3.7 million, or 12.5%, in 2013 from 2012. Costs associated with supporting the existing prepaid subscriber base increased $2.2 million due to a 12.9% increase in average prepaid subscribers and a 13.7% increase in average cost per subscriber. Costs to add new prepaid subscribers increased $1.2 million in 2013 due to a 17.5% increase in gross additions and upgrades over 2012. Commissions, advertising and professional services expenses associated with postpaid activities, increased $0.4 million in 2013 from 2012 levels.

Depreciation and amortization

Depreciation and amortization decreased $3.5 million in 2013 from 2012. Accelerated depreciation on assets to be replaced by Network Vision upgrades decreased from $8.4 million in the prior year to $3.4 million in 2013. The decrease in accelerated depreciation was partially offset by a 2012 favorable adjustment of $0.9 million related to asset retirement obligations associated with the upgrades.

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Cable

(in thousands)	Years Ended December 31, 2013	2012	Change $	%
Segment operating revenues				
Service revenue	$65,657	$61,252	$4,405	7.2
Equipment and other revenue	10,215	9,611	604	6.3
Total segment operating revenues	$75,872	$70,863	$5,009	7.1
Segment operating expenses				
Cost of goods and services, exclusive of depreciation and amortization shown separately below	45,767	44,563	1,204	2.7
Goodwill impairment	-	7,652	(7,652)	(100.0)
Selling, general and administrative, exclusive of depreciation and amortization shown separately below	19,052	17,642	1,410	8.0
Depreciation and amortization	21,202	22,446	(1,244)	(5.5)
Total segment operating expenses	86,021	92,303	(6,282)	(6.8)
Segment operating loss	$(10,149)	$(21,440)	$11,291	52.7

Operating revenues

The Cable segment service revenues increased $4.4 million in 2013 over 2012. High speed data access revenue increased $3.5 million due to an 11.7% increase in revenue generating units, while voice revenue increased $1.0 million due to a 22.2% increase in revenue generating units. Video revenue was flat, as revenue increases from video price increases and customers shifting to higher-priced digital TV packages were offset by a 3.5% decline in revenue generating units.

Equipment and other revenues increased $0.6 million, or 6.3%, due to $1.1 million of increases in revenue from sales of fiber optic services and in a variety of ancillary revenues such as installation fees, advertising revenues, and other fees billed to customers. The increases were partially offset by a $0.5 million decline in revenue from modems and converters.

Operating expenses

Cable segment cost of goods and services increased due to $0.8 million of additional network costs to support the expansion of network capacity. Cable content cost increased $0.6 million as the impact of rising rates per subscriber outpaced declining video subscriber counts. Network maintenance costs declined $0.1 million from a prior year that included $0.8 million of storm damage costs.

The Cable segment recorded a $7.7 million impairment of goodwill in the fourth quarter of 2012.

Selling, general and administrative expenses increased principally due to costs for customer service and general administrative functions.

The decrease in depreciation and amortization expense consists of $2.0 million lower amortization on the customer base intangible asset recorded when the cable markets were acquired. The amortization of this asset declines on the anniversary of the acquisitions. The cost reduction was partially offset by higher depreciation expense on assets placed in service.

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Wireline

(in thousands)	Years Ended December 31,		Change	
	2013	2012	$	%
Segment operating revenues				
Service revenue	$22,141	$21,202	$939	4.4
Access revenue	11,721	12,604	(883)	(7.0)
Facilities lease revenue	21,836	21,153	683	3.2
Equipment revenue	49	55		