SHENANDOAH TELECOMMUNICATIONS CO/VA/
Form DEF 14A
March 18, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a party other than the Registrant o

Check the appropriate box:

oPreliminary Proxy Statement
oConfidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
xDefinitive Proxy Statement
oDefinitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Shenandoah Telecommunications Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):

x No fee required.
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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date File

SHENANDOAH TELECOMMUNICATIONS COMPANY
500 Shentel Way
Edinburg, Virginia 22824

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 21, 2015

To our shareholders:

Notice is hereby given that the 2015 annual meeting of shareholders of Shenandoah Telecommunications Company will be held in the auditorium of the Company's offices at 500 Shentel Way, Edinburg, Virginia, on Tuesday, April 21, 2015, at 11:00 a.m., local time, for the following purposes:

1. to consider and vote upon a proposal to elect three directors of the Company to the Board of Directors of the Company (the "Board") for a term expiring at the annual meeting of shareholders in the year 2018;

2. to ratify the audit committee's selection of KPMG LLP as the Company's independent registered public accounting firm for 2015;

3. to consider and approve in a non-binding vote the Company's named executive officer compensation; and

4. to consider and act upon any other business as may properly come before the meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on February 27, 2015 will be entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof. All shareholders are cordially invited to attend this meeting. A light lunch will be provided.

We have elected to furnish certain proxy materials to our shareholders electronically, so that we can both provide our shareholders with the information they need and also reduce our costs of printing and delivery and reduce the environmental impact of our Annual Meeting.

Your vote is very important to us. Whether or not you plan to attend the meeting in person, your shares should be represented and voted. Please promptly vote your proxy. You may vote online at www.proxyvote.com where you will need to enter the control number provided in the proxy materials, and then follow the instructions provided. Submitting the proxy online, by telephone or by mail, before the annual meeting will not preclude you from voting in person at the annual meeting if you should decide to attend.

By Order of the Board of Directors,

Raymond B. Ostroski
Secretary

Dated: March 12, 2015

SHENANDOAH TELECOMMUNICATIONS COMPANY
500 Shentel Way
Edinburg, Virginia 22824

Annual Meeting of Shareholders
April 21, 2015

PROXY STATEMENT

GENERAL INFORMATION

Proxy Solicitation

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Shenandoah Telecommunications Company for use at Shenandoah Telecommunications Company's 2015 annual meeting of shareholders to be held in the auditorium of the Company's offices at 500 Shentel Way, Edinburg, Virginia, on Tuesday, April 21, 2015, at 11:00 a.m., local time. The purpose of the annual meeting and the matters to be acted upon are set forth in the accompanying notice of annual meeting.

The Company will pay the cost of this proxy solicitation. In addition to the solicitation of proxies by electronic delivery, officers and other employees of the Company may solicit proxies by personal interview, telephone and e-mail. None of these individuals will receive compensation for such services, which will be performed in addition to their regular duties. The Company also has made arrangements with brokerage firms, banks, nominees and other fiduciaries to forward proxy solicitation material for shares held of record by them to the beneficial owners of such shares. The Company will reimburse such persons for their reasonable out-of-pocket expenses in forwarding such material.

A list of shareholders entitled to vote at the annual meeting will be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours for a period of ten days before the meeting at the Company's offices at 500 Shentel Way, Edinburg, Virginia, and at the time and place of the meeting during the whole time of the meeting.

This proxy statement and the enclosed voting instructions are first being delivered to the Company's shareholders on or about March 12, 2015. In accordance with the rules of the Securities and Exchange Commission, we are furnishing certain proxy materials (Proxy Statement, Proxy Card and Annual Report on Form 10-K) by providing access to these materials electronically on the Internet. As such, we are not mailing a printed copy of these proxy materials to each shareholder of record or beneficial owner, and our shareholders will not receive printed copies of these proxy materials unless they request this form of delivery. Printed copies will be provided upon request at no charge. We are delivering a Notice of Meeting and a Notice of Internet Availability of Proxy Materials ("Notice of Internet Availability") to our shareholders on or about March 12, 2015. The Notice of Internet Availability is in lieu of mailing the printed proxy materials, and contains instructions for our shareholders as to how they may: (1) access and review our proxy materials on the Internet; (2) submit their proxy; and (3) receive printed proxy materials. Shareholders may request to receive printed proxy materials by mail or electronically by e-mail on an ongoing basis by following the instructions in the Notice of Internet Availability. We believe that providing proxy materials electronically will enable us to save costs associated with printing and delivering the materials and reduce the environmental impact of our annual meetings. A request to receive proxy materials in printed form will remain in effect until such time as the shareholder elects to terminate it.

Voting and Revocability of Proxies

Shares of the Company's common stock represented by a properly executed proxy, if such proxy is received in time and not revoked, will be voted at the annual meeting in accordance with the instructions indicated in such proxy. If no instructions are indicated, such shares will be voted FOR: (1) the election of the three director nominees to the Company's Board of Directors; (2) auditor ratification; and (3) the approval, in a non-binding vote, of the named executive officer compensation. Discretionary authority is provided in the proxy as to any matters not specifically referred to in the proxy. Management is not aware of any other matters that are likely to be brought before the annual meeting. If any other matter is properly presented at the annual meeting for action, including a proposal to adjourn or postpone the annual meeting to permit the Company to solicit additional proxies in favor of any proposal, the persons named in the proxy will vote on such matter in their own discretion.

A shareholder executing a proxy may revoke the proxy at any time before it is exercised by giving written notice revoking the proxy to the Company's Secretary, by subsequently filing another proxy bearing a later date or by attending the annual meeting and voting in person. Attending the annual meeting will not automatically revoke the shareholder's proxy. All written notices of revocation or other communications with respect to revocation of proxies should be addressed to Shenandoah Telecommunications Company, 500 Shentel Way, P.O. Box 459, Edinburg, Virginia 22824, Attention: Corporate Secretary.

Voting Procedure

All holders of record of the common stock at the close of business on February 27, 2015, will be eligible to vote at the annual meeting. Each holder of common stock is entitled to one vote at the annual meeting for each share held by such shareholder. As of February 27, 2015, there were 24,178,656 shares of common stock outstanding.

A majority of the shares of common stock issued and outstanding and entitled to vote at the annual meeting, present in person or represented by proxy, will constitute a quorum at the annual meeting. Votes cast in person or by proxy at the annual meeting will be tabulated by the inspectors of election appointed for the annual meeting, who will determine whether or not a quorum is present. Abstentions and any broker non-votes, which are described below, will be counted for purposes of determining the presence of a quorum at the annual meeting.

The election of directors requires the affirmative vote of a majority of the votes cast for the election of directors. Accordingly, the directorships to be filled at the annual meeting will be filled by the nominees receiving more than half of the votes cast in favor of their election. In the election of directors, votes may be cast in favor of or withheld with respect to any or all nominees.

The proposal to ratify the Audit Committee's selection of KPMG LLP as the Company's independent registered public accounting firm for 2015 will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against approval of the proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on this proposal.

The proposal to approve, in a non-binding vote, the named executive officer compensation will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on this proposal.

Broker-dealers who hold their customers' shares in street name may, under the applicable rules of the exchanges and other self-regulatory organizations of which the broker-dealers are members, vote the shares of their customers on routine proposals, which under such rules typically include the ratification of auditors, when they have not received instructions from their customers. Under these rules, brokers may not vote shares of their customers on non-routine matters without instructions from their customers. A broker non-vote occurs with respect to any proposal when a broker holds shares of a customer in its name and is not permitted to vote on that proposal without instruction from the beneficial owner of the shares and no instruction is given. A broker non-vote will not affect whether any proposal to be acted upon at the annual meeting is approved.

Annual Report to Shareholders

The Company is required to file an annual report on Form 10-K for the year ended December 31, 2014 with the Securities and Exchange Commission (the "SEC"). A copy of the Company's annual report on Form 10-K does not accompany this proxy statement. Shareholders may obtain, free of charge, a copy of the 2014 Form 10-K, without exhibits, by following the instructions in the Notice of Internet Availability or by writing to Shenandoah Telecommunications Company, 500 Shentel Way, P.O. Box 459, Edinburg, Virginia 22824, Attention: Corporate Secretary. The annual report on Form 10-K is also available through the Company's website at www.shentel.com. The annual report to shareholders and the Form 10-K are not proxy-soliciting materials.

Important Notice Regarding Delivery of Shareholder Documents

The Company has taken advantage of the "householding" rules of the SEC. For shareholders requesting to receive proxy materials in printed form, the householding rules permit the delivery of one set of the printed proxy materials to shareholders who have the same address, to conserve resources and achieve the benefit of reduced printing and mailing costs. If you wish to receive a paper copy of our annual report to shareholders or this proxy statement, you may follow the instructions on the Notice of Internet Availability or make a written request to Shenandoah Telecommunications Company, 500 Shentel Way, P.O. Box 459, Edinburg, Virginia 22824, Attention: Shareholder Services, or call us at 540-984-5200. If you are receiving multiple copies of our annual report to shareholders and proxy statement, you can request householding or electronic delivery by contacting Shareholder Services in the same manner.

SECURITY OWNERSHIP

Management Ownership of Common Stock

The following table presents, as of February 27, 2015, information based upon the Company's records and filings with the SEC regarding beneficial ownership of the common stock by the following persons:

- each director and each nominee to the Board of Directors;
- each executive officer of the Company named in the summary compensation table under the "Executive Compensation" section of this proxy statement; and
- all directors and executive officers of the Company as a group.

As of February 27, 2015, there were 24,178,656 shares of common stock outstanding.

The information presented below regarding beneficial ownership of the Company's common stock has been presented in accordance with rules of the SEC and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is also deemed to be the beneficial owner of any security as to which a person has the right to acquire sole or shared voting or investment power within 60 days through the conversion or exercise of any convertible security, warrant, option or other right. More than one person may be deemed to be a beneficial owner of the same securities.

| Name of Beneficial Owner (Directors, Nominees and Executive Officers) | Amount and Nature of Beneficial Ownership | Percent of Class (%) |
|---|---|---|
| Douglas C. Arthur | 14,743 | * |
| Ken L. Burch | 232,448 | * |
| Tracy Fitzsimmons | 6,477 | * |
| John W. Flora | 6,157 | * |
| Christopher E. French | 1,036,420 | 4.27 |
| Richard L. Koontz, Jr. | 8,549 | * |
| Dale S. Lam | 10,167 | * |
| Jonelle St. John | 5,826 | * |
| James E. Zerkel II | 36,505 | * |
| Earle A. MacKenzie | 294,821 | 1.21 |
| Adele M. Skolits | 54,525 | * |
| William L. Pirtle | 25,707 | * |
| Thomas A. Whitaker | 11,988 | * |
| All directors, nominees and executive officers as a group (16 persons) | 1,778,859 | 7.27 |

*Less than 1%.

The percentage of beneficial ownership as to any person as of February 27, 2015, is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days, by the sum of the number of shares outstanding as of February 27, 2015, plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, the Company believes that the beneficial owners of the Company's common stock listed in the table have sole voting and investment power with respect to the shares shown.

The shares of common stock shown as beneficially owned by Mr. Arthur include 1,237 shares of common stock owned of record by his spouse. Mr. Arthur disclaims beneficial ownership of such shares. Of the shares of stock shown as beneficially owned by Mr. Arthur, 6,000 shares are pledged as security for personal indebtedness.

The shares of common stock shown as beneficially owned by Mr. Burch include 567 shares of common stock owned of record by his spouse. Mr. Burch disclaims beneficial ownership of such shares.

The shares of common stock shown as beneficially owned by Mr. French include 55,230 shares of common stock owned of record by his spouse, 20,502 shares of common stock owned of record by his adult children, 699,454 shares owned of record by 13 trusts for the benefit of Mr. French's family members for which Mr. French serves as trustee, and options exercisable within 60 days of February 27, 2015 to purchase 102,599 shares of common stock. Mr. French disclaims beneficial ownership of the shares owned of record by his spouse and children. Of the shares shown as beneficially owned by Mr. French, 23,000 shares are pledged as security for personal indebtedness, and an aggregate of 33,450 shares owned of record by trusts for the benefit of Mr. French's family members are pledged as security for lines of credit.

The shares of common stock shown as beneficially owned by Mr. Zerkel include 750 shares of common stock owned of record by his spouse. Mr. Zerkel disclaims beneficial ownership of such shares.

The shares of common stock shown as beneficially owned by Mr. MacKenzie include 100,758 shares of common stock owned of record by his spouse, and options exercisable within 60 days of February 27, 2015 to purchase 144,597 shares of common stock.  Mr. MacKenzie disclaims beneficial ownership of the shares owned of record by his spouse.

The shares of common stock shown as beneficially owned by Ms. Skolits include options exercisable within 60 days of February 27, 2015 to purchase 36,677 shares of common stock.

The shares of common stock shown as beneficially owned by Mr. Pirtle include options exercisable within 60 days of February 27, 2015 to purchase 7,294 shares of common stock.

The shares of common stock shown as beneficially owned by Mr. Whitaker include options exercisable within 60 days of February 27, 2015 to purchase 6,169 shares of common stock.

The shares of common stock shown as beneficially owned by all directors, nominees and executive officers as a group include options exercisable within 60 days of February 27, 2015 to purchase 325,920 shares of common stock.

Principal Shareholders

The following table presents, as of February 27, 2015, information based upon the Company's records and filings with the SEC regarding beneficial ownership of the common stock by each person known to the Company to be the beneficial owner of more than 5% of the common stock. The information is based on the most recent Schedule 13G filed with the SEC on behalf of such persons.

| Name and Address | Amount and Nature of Beneficial Ownership | Percent of Class (%) |
|---|---|---|
| BlackRock, Inc.<br>55 East 52nd Street<br>New York, NY 10022 | 1,917,454 | 7.95 |
| Dimensional Fund Advisors LP<br>Building One, 6300 Bee Cave Road<br>Austin, TX 78746 | 1,327,580 | 5.49 |
| The Vanguard Group, Inc.<br>100 Vanguard Blvd.<br>Malvern, PA 19355 | 1,235,221 | 5.11 |

The shares of common stock shown as beneficially owned by BlackRock, Inc. were reported on Schedule 13G filed with the Securities and Exchange Commission on January 23, 2015. BlackRock, Inc. reported sole power to vote 1,864,966 shares and sole power to dispose of all 1,917,454 shares shown.

The shares of common stock shown as beneficially owned by Dimensional Fund Advisors LP were reported on Schedule 13G filed with the Securities and Exchange Commission on February 5, 2015. Dimensional Fund Advisors LP reported sole power to vote 1,255,560 shares and sole power to dispose of all 1,327,580 shares.

The shares of common stock shown as beneficially owned by The Vanguard Group, Inc. were reported on Schedule 13G filed with the Securities and Exchange Commission on February 11, 2015. The Vanguard Group, Inc. reported sole power to vote 33,544 shares, sole power to dispose of 1,203,277 shares, and shared power to dispose of 31,944 shares.

ELECTION OF DIRECTORS

Nominees for Election as Directors

The Company’s articles of incorporation provide that the Board of Directors is to be divided into three classes of directors, with the classes to be as nearly equal in number as possible. The terms of office of the three current classes of directors expire at this annual meeting, at the annual meeting of shareholders in 2016 and at the annual meeting of shareholders in 2017, respectively. Upon the expiration of the term of office of each class, the nominees for such class will be elected for a term of three years to succeed the directors whose terms of office expire.

Ken L. Burch, Richard L. Koontz, Jr. and Jonelle St. John have been nominated for election to the class with a three-year term that will expire at the annual meeting of shareholders in 2018. All nominees are incumbent directors who have served on the Board of Directors since 1995, 2006 and 2007, respectively.

All three nominees were nominated for election by the Board of Directors and recommended for nomination by the Nominating and Corporate Governance Committee, which consists of Mr. Arthur, Mr. Burch, Mr. Lam, and Mr. Zerkel, each of whom is an “independent director,” as that term is defined in Nasdaq Marketplace Rule 4200(a)(15).

Director Nomination Process

The Board of Directors has, by resolution, adopted a director nomination policy. The purpose of the nomination policy is to describe the process by which candidates for possible inclusion in the Company’s recommended slate of director nominees are selected. The nomination policy is administered by the Nominating and Corporate Governance Committee of the Board of Directors.

The Nominating and Corporate Governance Committee takes a variety of factors into account in selecting candidates for nomination as directors, including the Company’s current needs and the qualities needed for board service; experience and achievement in business, finance, technology or other areas relevant to the Company’s activities; the candidate’s reputation, ethical character and maturity of judgment; the desirability of establishing a diversity of viewpoints, backgrounds and experiences among board members; the candidate’s independence under SEC and Nasdaq Marketplace Rules; the candidate’s service on other boards of directors; the absence of conflicts of interest that might impede the proper performance of the candidate’s responsibilities as a director; the candidate’s ability to devote sufficient time to board matters; and the candidate’s ability to work effectively and collegially with other Board members. The Committee does not give particular weight to any one factor, but instead considers how the attributes of a candidate or nominee would enhance the Board’s overall qualifications and effectiveness. In the case of an incumbent director whose term of office is set to expire, the Nominating and Corporate Governance Committee will review such director’s overall service to the Company during his or her term, including the number of meetings attended, level of participation, quality of performance, and any transactions of such directors with the Company during the term. For those potential new director candidates who appear upon first consideration to meet the Board’s selection criteria, the Nominating and Corporate Governance Committee will conduct appropriate inquiries into their background and qualifications and, depending on the result of such inquiries, arrange for in-person meetings with the potential candidates. The effectiveness of the Nominating and Corporate Governance Committee’s candidate selection criteria is assessed through the Committee’s annual review of policies regarding Board and committee membership.

The Nominating and Corporate Governance Committee may use multiple sources for identifying director candidates, including its own contacts and referrals from other directors, members of management, the Company’s advisors, and executive search firms. The Nominating and Corporate Governance Committee will consider director candidates recommended by shareholders and will evaluate such director candidates in the same manner in which it evaluates candidates recommended by other sources. In making recommendations for director nominees for the annual meeting of shareholders, the Nominating and Corporate Governance Committee will consider any written recommendations of director candidates by shareholders received by the Secretary of the Company not later than 120 days before the anniversary of the previous year’s annual meeting of shareholders. Recommendations must include the candidate’s name and contact information and a statement of the candidate’s background and qualifications, and must be mailed to Shenandoah Telecommunications Company, 500 Shentel Way, P.O. Box 459, Edinburg, Virginia 22824, Attention: Corporate Secretary.

The nomination policy is intended to provide a flexible set of guidelines for the effective functioning of the Company’s director nomination process. The Nominating and Corporate Governance Committee intends to review the nomination policy at least annually and anticipates that modifications may be necessary from time to time as the Company’s needs and circumstances evolve, and as applicable legal or listing standards change. The Nominating and Corporate Governance Committee may amend the nomination policy at any time, in which case the most current version will be available on the Company's website at www.shentel.com.

Approval of Nominees

Approval of the nominees requires the affirmative vote of a majority of the votes cast at the annual meeting. Unless authority to do so is withheld, it is the intention of the persons named in the proxy to vote such proxy FOR the election of each of the nominees. In the event that any nominee should become unable or unwilling to serve as a director, the persons named in the proxy intend to vote for the election of such substitute nominee for director as the Board of Directors may recommend. It is not anticipated that any nominee will be unable or unwilling to serve as a director.

The Board of Directors unanimously recommends that the shareholders of the Company vote FOR the election of the nominees to serve as directors.

Information About Nominees and Continuing Directors

Biographical information concerning each of the nominees and each of the directors continuing in office is presented below.

Nominees for Terms Expiring in 2018

| Name | Age | Director Since |
|---|---|---|
| Ken L. Burch | 70 | 1995 |
| Richard L. Koontz, Jr. | 57 | 2006 |
| Jonelle St. John | 61 | 2007 |

Ken L. Burch is a farmer who owns a purebred and commercial beef cattle operation near Shenandoah Caverns, Virginia. Mr. Burch brings to the Board additional qualifications, including his experience as a successful local businessman with close ties to the community, and his knowledge of and history with the Company and the Company's extensive local shareholder base. In addition, his substantial ownership of the Company's common stock serves to align his interests with the Company's shareholders.

Richard L. Koontz, Jr. has served as Vice President of Holtzman Oil Corporation, a supplier and distributor of petroleum products located in Mt. Jackson, Virginia, since 1988. He is currently Chairman of the Shenandoah County Public Schools Board. Mr. Koontz brings to the Board additional qualifications, including his experience as a member of senior management of a successful regional business, with substantial budget authority and finance responsibilities, his community service through membership on the Shenandoah County Public Schools Board, and his knowledge of the Company's extensive local shareholder base.

Jonelle St. John is currently a consultant and has previously served as a director and Chairman of the Audit Committee of Motient Corporation, a nationwide provider of two-way, wireless mobile data services and wireless Internet services. Ms. St. John was the Chief Financial Officer of MCI WorldCom International in London from 1998 through 2000 following her position as the Treasurer of MCI Communications Corporation from 1993 to 1998. Prior to joining MCI, Ms. St. John served as the Vice President-Finance and Treasurer and was the Vice President and Controller of Telecom*USA from 1985 until it was acquired by MCI in 1990. Ms. St. John brings to the Board additional qualifications, including her extensive experience, including positions in senior management, with both a successful entrepreneurial company and with publicly traded telecommunications providers, her experience and knowledge of financial statements and their preparation, and her previous service on a board of a public company. Ms. St. John also serves as an audit committee financial expert.

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Directors Whose Terms Expire in 2017

| Name | Age | Director Since |
|---|---|---|
| Douglas C. Arthur | 72 | 1997 |
| Tracy Fitzsimmons | 48 | 2005 |
| John W. Flora | 60 | 2008 |

Douglas C. Arthur has been an attorney-at-law since 1967, and currently is a sole practitioner in Strasburg, Virginia. He is a member and Chairman of the Board of Directors of First National Corporation. Mr. Arthur brings to the Board additional qualifications, including his career as a local attorney with knowledge and experience of general and business legal matters, his public company Board of Directors experience from service as Chairman and director of First National Corporation, his community service through prior membership on the Shenandoah County Public Schools Board, and his knowledge of and history with the Company and the Company's extensive local shareholder base.

Tracy Fitzsimmons is President of Shenandoah University, Winchester, Virginia, a position she has held since July 2008. She previously served as Senior Vice President and Vice President for Academic Affairs of Shenandoah University since October 2006 and Vice President of Academic Affairs since July 2002. Dr. Fitzsimmons also currently serves as a professor of political science at Shenandoah University. Dr. Fitzsimmons received Ph.D. and M.A. degrees from Stanford University and a B.A. degree from Princeton University. Dr. Fitzsimmons brings to the Board additional qualifications, including her educational background, budgeting and financial experience with a large diverse educational organization, overall leadership experience and responsibilities as president of a university that offers undergraduate, masters and professional doctorate degrees and is considered a technology leader among higher education institutions.

John W. Flora has been an attorney-at-law since 1980, and currently is a shareholder of Lenhart Pettit PC in Harrisonburg, Virginia. Mr. Flora's business and tax practice has ranged from serving as lead counsel of a publicly held Fortune 500 company to representing private companies and their owners from business formation through succession. Mr. Flora brings to the Board additional qualifications, including his career as an attorney with a regional law firm and his substantial experience in advising public companies, as well as his experience in assisting businesses with a wide variety of legal and regulatory issues.

Directors Whose Terms Expire in 2016

| Name | Age | Director Since |
|---|---|---|
| Christopher E. French | 57 | 1996 |
| Dale S. Lam | 52 | 2004 |
| James E. Zerkel II | 70 | 1985 |

Christopher E. French has served as President and Chief Executive Officer of the Company and its subsidiaries since 1988. Prior to his appointment as President, he held a variety of positions with the Company, including Executive Vice President and Vice President-Network Service. Mr. French also serves on the Board of Directors of First National Corporation. Mr. French brings to the Board additional qualifications, including his engineering and business education, telecommunications industry experience, knowledge of and history with the Company, and public company knowledge, including knowledge gained from service as a director of First National Corporation. In addition, his substantial ownership of the Company’s common stock serves to align his interests with the Company’s shareholders.

Dale S. Lam has served as President of Strategent Financial, LLC, a financial advisory firm, since November 2008. Mr. Lam previously served as Chief Financial Officer and member of the Board of Directors of ComSonics, Inc., a cable television equipment manufacturer and repair operation headquartered in Harrisonburg, Virginia, from April 2001 through October 2008. He is also a Certified Public Accountant. Mr. Lam brings to the Board additional qualifications, including his industry knowledge gained through his prior employment in a business related to the telecommunications industry, his experience serving as a chief financial officer of a public company, his financial education, and his work experience and qualification as a Certified Public Accountant. Mr. Lam also serves as an audit committee financial expert.

James E. Zerkel II has served as Vice President of James E. Zerkel, Inc., a hardware firm located in Mt. Jackson, Virginia, since 1970. Mr. Zerkel also serves on the Board of Directors of the Shenandoah Valley Electric Cooperative. Mr. Zerkel brings to the Board additional qualifications, including his experience as a successful local businessman with close ties to the community, knowledge of and history with the Company and the Company's extensive local shareholder base, and his experience in corporate governance from his service on the Board of Directors of Shenandoah Valley Electric Cooperative.

Board of Directors and Committees of the Board of Directors

The Board of Directors has determined that with the exception of Christopher E. French, each of the directors and director nominees is an "independent director," as that term is defined in Nasdaq Marketplace Rule 4200(a)(15).

The Board of Directors welcomes communications from its shareholders, and has adopted a procedure for receiving and addressing those communications. Shareholders may send written communications to either the full Board of Directors or the non-management directors as a group by writing to the Board of Directors or the non-management directors at the following address: Board of Directors/Non-Management Directors, Shenandoah Telecommunications Company, 500 Shentel Way, P.O. Box 459, Edinburg, Virginia 22824, Attention: Corporate Secretary. Communications by e-mail should be addressed to corpsec@shentel.net and marked "Attention: Corporate Secretary" in the "Subject" field. The secretary will review and forward all shareholder communications to the intended recipient, except for those shareholder communications that are outside the scope of Board matters or duplicative of other communications by the applicable shareholder previously forwarded to the intended recipient.

The Board of Directors held twelve meetings during 2014. During 2014 each director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and of each committee of the Board of Directors on which such director served. In addition, the independent directors, under the leadership of Mr. Arthur as the Lead Independent Director, met without management present twelve times during 2014.

All of the Company's directors attended the Company's annual meeting of shareholders in 2014. The Board of Directors has adopted a policy that all directors should attend the annual meeting of shareholders.

The Board of Directors currently has a standing Audit Committee, a standing Compensation Committee, and a standing Nominating and Corporate Governance Committee.

The Audit Committee, which held seven meetings during 2014, consists of Mr. Lam, who is the Chair, Ms. St. John, and Mr. Arthur. The Board of Directors has determined that each Audit Committee member meets the independence requirements applicable to audit committee members under the Nasdaq Marketplace Rules and rules of the SEC. The Board of Directors has determined that Mr. Lam and Ms. St. John are "audit committee financial experts," as such term is defined in Item 407(d)(5) of Regulation S-K promulgated by the SEC, and are independent of management. The Audit Committee is responsible, among its other duties, for engaging, overseeing, evaluating and replacing the Company's independent auditors; pre-approving all audit and non-audit services by the independent auditors; reviewing the scope of the audit plan and the results of each audit with management and the independent auditors; reviewing the adequacy of the Company's system of internal accounting controls and disclosure controls and procedures; reviewing the financial statements and other financial information included in the Company's annual and quarterly reports filed with the SEC; and, providing oversight of the Company's enterprise risk management process. The Audit Committee's duties are set forth in the Committee's charter, a copy of which is available on the Company's website at www.shentel.com.

The Compensation Committee, which held four meetings during 2014, consists of Dr. Fitzsimmons, who is the Chair, Mr. Flora, Mr. Koontz and Mr. Zerkel, all of whom meet the independence requirements prescribed by the Nasdaq Marketplace Rules. The Compensation Committee is responsible, among its other duties, for establishing compensation philosophy, considering and making recommendations to the Board of Directors concerning the salaries and incentive compensation awards for the top levels of management of the Company (including the Chief Executive Officer), considering and making recommendations to the Board of Directors with respect to programs for human resource development and management organization and succession, overseeing the Company's employee benefit and incentive plans (including the Company's stock incentive plans) and for administering such plans, as well as overseeing the Company's stock ownership guidelines for officers and directors. The Compensation Committee's duties are set forth in the Committee's charter, a copy of which is available on the Company's website at www.shentel.com.

For 2014, the Board of Directors did not delegate to the Compensation Committee the authority to determine the overall compensation of the Company's Chief Executive Officer or Chief Operating Officer. Instead, in accordance with the Nasdaq Marketplace Rules, the compensation of the Chief Executive Officer and Chief Operating Officer was determined by the Board of Directors upon the recommendation of the Compensation Committee. Compensation of all other executive officers was determined in accordance with the Nasdaq Marketplace Rules by the Compensation Committee.

The Compensation Committee engaged Frederic W. Cook & Co., Inc. ("Frederic Cook"), a company that consults on employee benefits and compensation issues, to provide a review and assessment of the Company's executive compensation practices and to recommend possible changes that should be considered to those practices. Frederic Cook was also asked to make recommendations regarding the structure of executive compensation, including the relative levels of base salaries, short-term incentive compensation, and long-term equity-based compensation.

The Company's Chief Executive Officer is responsible for reviewing the performance of the executive officers who report to him, which included each of the Company's named executive officers identified in this proxy statement, and bringing individual recommendations for those officers to the independent directors for their review, consideration and approval. In addition, the Chief Executive Officer and the Company's Chief Operating Officer are responsible for establishing individual performance objectives for the payment of annual incentive bonuses to the other executive officers.

The Nominating and Corporate Governance Committee, which held three meetings during 2014, consists of Mr. Arthur, who is the Chair, Mr. Burch, Mr. Lam and Mr. Zerkel, all of whom meet the independence requirements prescribed by the Nasdaq Marketplace Rules. The committee is responsible for recommending candidates for election to the Board of Directors for approval and nomination by the Board of Directors. The committee is also responsible for making recommendations to the Board of Directors or otherwise acting with respect to corporate governance matters, including board size, director independence and membership qualifications. In addition, the committee is responsible for new director orientation, committee structure and membership, communications with shareholders, Board and committee self-evaluations, and exercising oversight with respect to the Company's code of conduct, insider trading policy, corporate governance guidelines and other policies and procedures regarding adherence with legal requirements. The charter of the Nominating and Corporate Governance Committee is available on the Company's website at www.shentel.com.

Leadership Structure and the Board's Role in Risk Oversight

Leadership Structure. Leadership of the Board of Directors consists of two positions, the Board's Chairman and the Board's Lead Independent Director. Mr. French serves as Chairman and Mr. Arthur serves as Lead Independent Director.

The Company combines the roles of Chairman and Chief Executive Officer. The Board has given careful consideration to the merits of separating its roles of Chairman and Chief Executive Officer and has determined that the Company and its shareholders are best served by having Mr. French serve as both Chairman of the Board of Directors and Chief Executive Officer. Mr. French's combined role as Chairman and Chief Executive Officer promotes unified leadership and direction for the Board and executive management and it allows for a single, clear focus for the chain of command to execute the Company's strategic initiatives and business plans. Mr. French receives assistance with his Board and executive management responsibilities from the Lead Independent Director and the Chief Operating Officer, respectively.

Requiring that the Chairman of the Board be an independent director is not necessary to ensure that our Board provides independent and effective oversight of the Company's business and affairs. Such oversight is maintained through the composition of our Board, the strong leadership of our independent directors and Board committees, and our corporate governance structures and processes.

The Board of Directors is composed of independent, active and effective directors. Eight out of our nine directors meet the independence requirements of the Nasdaq Marketplace Rules. Mr. French is the only member of executive management who is also a director.

The Board of Directors and its committees vigorously oversee the effectiveness of the Company's policies and management's decisions, including the execution of key strategic initiatives. Each of the Board's committees is composed entirely of independent directors. Consequently, independent directors directly oversee such critical matters as the integrity of the Company's financial statements, the compensation of executive management, including Mr. French's compensation, the selection and evaluation of directors, and the development and implementation of corporate governance programs. The Compensation Committee, together with the other independent directors, conducts an annual performance review of the Chief Executive Officer, assessing the Company's financial and non-financial performance and the quality and effectiveness of Mr. French's leadership.

The Board designated Mr. Arthur as Lead Independent Director in 2009, formally recognizing the role he has served for many years. In this role, Mr. Arthur leads all meetings of independent directors, assists with ensuring the proper functioning of the Board such as maintaining the Board's focus on strategic issues, and ensures appropriate participation in discussions and meetings by all Board members. In addition to their reliance upon the Lead Independent Director, the Board and each Board committee have complete and open access to any member of management and the authority to retain independent legal, financial and other advisors as they deem appropriate.

<u>Board Role in Risk Oversight</u>. The Board discharges its risk oversight primarily through its committees, each of which reports its activities to the Board. The Audit Committee has responsibility to monitor that the Company's risk management process is followed. The additional risk oversight responsibilities of the committees include:

Audit Committee. The Audit Committee has primary responsibility for the integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; the performance of the third parties engaged to perform internal control testing to support management's assessment of internal control; the annual independent audit of the Company's financial statements, including the engagement of, and the evaluation of the qualifications, independence and performance of, the independent auditors; and the Company's compliance with legal and regulatory requirements, including the Company's disclosure controls and procedures. As part of its duties, the Audit Committee discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures. The Committee also reviews the Company's risk assessment and risk management policies.

Compensation Committee. The Compensation Committee is responsible for exercising oversight with respect to potential compensation-related risks, including management's assessment of risks related to employee compensation programs.

Nominating and Corporate Governance. The Nominating and Corporate Governance Committee receives periodic reports with respect to compliance with the Company's Code of Business Conduct and Ethics, and acts upon any request by executive officers for waivers under the Code of Business Conduct and Ethics, Insider Trading Policy and Corporate Governance Guidelines. The Committee periodically reviews and assesses the adequacy of the Code of Business Conduct and Ethics, Insider Trading Policy and Corporate Governance Guidelines, and makes recommendations to the Board regarding any desirable revisions.

Director Compensation

During 2014, directors who are not employees of the Company received a fee of $1,000 per month and a fee of $1,250 for each Board of Directors meeting attended in person and $625 per meeting attended by conference call. Committee members were paid fees of $750 for each committee meeting attended in person or $375 for each committee meeting in which they participate by conference call. The Lead Independent Director received a fee of $167 per month for his service, and the chairs of the Audit, Compensation and Nominating and Corporate Governance committees received a fee of $167, $167 and $42 per month, respectively, for their service. Effective January 1, 2015, directors who are not employees of the Company will receive a cash retainer fee of $2,917 per month. Committee members of the Audit, Compensation and Nominating and Corporate Governance Committee will receive additional cash retainer fees of $625, $417 and $208 per month, respectively. Directors who serve as committee chairs for the Audit, Compensation and Nominating and Corporate Governance Committees, and the Lead Independent Director will receive additional monthly cash retainer fees of $333, $250, $167 and $167, respectively. Effective January 1, 2015, there are no per meeting fees paid to Directors unless the number of committee meetings in any given year exceeds a preset number of committee meetings expected to be held during the year. If such a circumstance occurs, Directors who are members of the Audit, Compensation and Nominating and Corporate Governance committees would be paid $1,071, $1,000 and $833, respectively, per additional meeting. The Company pays its non-employee directors these fees in arrears on a monthly basis. In addition to cash compensation, the Board may determine, from time to time, to award stock options or restricted stock as compensation to non-employee directors. On February 19, 2014, each non-employee director was awarded a grant of 769 shares of restricted stock with a fair value of $26.01 per share. All of such shares vest ratably on each of the next three anniversaries of the grant date.

In lieu of receiving their fees in cash, each director can elect to have some or all of his or her fees paid in unrestricted shares of the Company’s common stock with such shares being issued to the director out of the shares reserved for issuance under the Company’s 2014 Equity Incentive Plan. The award of shares in lieu of cash uses the closing price as of the last trading day of the month for which the fees are being paid and the shares are held in book entry until a request is made to convert the book entry shares to certificated shares. Any cash in lieu of fractional shares resulting from the conversion of book entry shares to whole shares in certificate form is paid out in accordance with the same methodology used in the Company’s Dividend Reinvestment Plan. A director’s election to receive shares in lieu of cash must have been made by July 1 of each year, and may only be changed on an annual basis.

All directors are reimbursed for the out-of-pocket expenses they incur in attending director education programs. Additionally, directors are reimbursed for documented mileage incurred for travel to and from Board and committee meetings.

The following table sets forth the compensation paid to the non-employee directors of the Company for their service in 2014.

2014 Director Compensation Table

| Name | Fees Earned or Paid In Cash ($)(a) | | All Other Compensation ($)(c) | Stock Awards ($)(d) | Total ($) |
|---|---|---|---|---|---|
| Douglas C. Arthur | 37,155 | | -- | 20,002 | 57,156 |
| Ken L. Burch | 29,014 | (b) | -- | 20,002 | 49,016 |
| Tracy Fitzsimmons | 32,532 | (b) | -- | 20,002 | 52,533 |
| John W. Flora | 29,842 | | -- | 20,002 | 49,844 |
| Richard L. Koontz, Jr. | 29,375 | (b) | -- | 20,002 | 49,377 |
| Dale S. Lam | 36,927 | | -- | 20,002 | 56,929 |
| Jonelle St. John | 33,161 | | -- | 20,002 | 53,163 |
| James E. Zerkel II | 31,378 | | -- | 20,002 | 51,380 |

(a) Includes amounts received as expense reimbursement for documented mileage incurred for travel to and from meetings.

(b) For 2014 service, Mr. Burch, Dr. Fitzsimmons and Mr. Koontz elected to receive $1,800, $1,802 and $6,000, respectively, of his or her cash compensation in the form of unrestricted shares of common stock, which were valued at the closing price as of the last trading day of the service month.

(c) Prior to January 1, 2015, Directors with 18 years of service were eligible for a three-year director emeritus position upon retirement from the Board. Directors Emeritus were eligible to receive payments of $1,000 per month. The Company eliminated payments for Directors Emeritus effective January 1, 2015. The Company has eliminated prior accruals for the Director Emeritus benefit, resulting in a negative change in the directors' compensation ranging from approximately $8,100 to approximately $30,500 per director. Those negative changes have been excluded from the table above.

(d) On February 19, 2014, each director was awarded a grant of 769 shares with a fair value of $26.01 per share. The shares vest ratably on each of the next three anniversaries of the grant date.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes the Company's compensation program for its executive officers, including its Chief Executive Officer and other "named executive officers" identified in the 2014 Summary Compensation Table below, and explains how the Company's independent directors determined the levels and forms of the compensation that was earned by or paid to the executive officers for 2014. In addition to the matters described below, the independent directors considered the results of the advisory vote by shareholders on the "say-on-pay" proposal presented to shareholders at the April 16, 2013 Annual Meeting of Shareholders in determining the levels and forms of compensation that were earned by or paid to the named executive officers in 2014. As reported in the Company's Current Report on Form 8-K, filed with the SEC on April 16, 2013, more than 96% of the votes cast on the say-on-pay proposal were in favor of our named executive officer compensation. Accordingly, the Company did not make any changes to our executive compensation program as a result of the vote results.

The Compensation Committee engaged Frederic W. Cook & Co., Inc. ("Frederic Cook") to provide a review and assessment of the Company's executive compensation practices and recommend possible changes that should be considered to those practices. Frederic Cook was also asked to make recommendations regarding the structure of the Company's executive compensation practices, including the relative levels of base salaries, short-term incentive compensation and long-term equity-based compensation. The Compensation Committee reviewed these recommendations and considered them as part of the committee's decisions regarding executive compensation practices in 2014.

The Company's executive compensation program serves to attract and retain the management talent needed to successfully lead our Company and increase shareholder value. It rewards executives for using their knowledge and skill to meet defined objectives set by the Board, and motivates their behavior by rewarding desired performance or the meeting of established corporate objectives.

The Company's executive compensation program primarily consists of base salary, annual incentive bonuses, long-term incentives in the form of equity-based compensation, and retirement compensation. Base salary represents the fixed component of the Company's executive compensation program and is designed to provide compensation to executives based upon their experience, duties and scope of responsibilities. Annual incentive bonuses represent a variable component of compensation, and are intended to compensate executives for specific achievements or improvements in the Company's performance and individual accomplishments toward specific objectives. Long-term, equity-based incentive compensation represents a variable component which seeks to reward executives for performance that maximizes long-term shareholder value, while further aligning the executives' financial interests with those of our shareholders, and also serves as a retention tool. Retirement compensation is a variable component of compensation and is designed to allow the participants to accumulate assets which will assist in meeting their post-retirement needs.

All incentive compensation (both cash and equity compensation) received by executive officers and certain other employees of the Company ("Senior Management") is subject to reduction, cancellation, forfeiture and recoupment under the Company's Executive Compensation Recovery Policy (the "Recovery Policy"), as in effect from time to time. Currently, individual compensation is subject to recovery from a member of Senior Management who, as a result of his or her misconduct, received incentive compensation in excess of compensation that would have been paid had such misconduct not occurred. For purposes of the Recovery Policy, "misconduct" includes gross negligence, willful misconduct, fraudulent or deceitful activity, as well as any failure to act (including a failure to adequately supervise other employees) in circumstances where such employee knew, or reasonably should have known, that action was required. Excess compensation is subject to recovery by the Company if the misconduct is identified or alleged within a period of three years from the later of the date of receipt of the subject compensation, or the most recent date of misconduct. The Board of Directors has full discretion whether to seek recovery of incentive compensation and to determine the amount of such compensation that is subject to recovery. The Recovery Policy is intended to supplement, but not limit or constrain, any statutory or regulatory right or obligation of the Company to recover compensation from its employees (including, without limitation, the requirements of the Sarbanes-Oxley Act of 2002 and Section 16(b) of the Securities Exchange Act of 1934, as amended).

The Company also provides various benefit programs to executive officers and to other employees. The following table generally identifies such benefit plans and identifies those employees who may be eligible to participate:

| Benefit Plan | Executive Officers | Full-time Employees |
|---|---|---|
| 401(k) Plan (a) | X | X |
| Medical/Dental/Vision Plans (a) | X | X |
| Life and Disability Insurance (a) | X | X |
| Annual Incentive Plan (Bonus) | X | X |
| Equity Incentive Plan (Stock Awards) | X | X |
| Deferred Compensation Plan (b) | X | Not offered |
| Defined Benefit Pension Plan | Not offered | Not offered |
| Defined Benefit Supplemental Executive Retirement Plan | Not offered | Not offered |
| Employee Stock Purchase Plan | Not offered | Not offered |
| Change in Control and Severance Plan | Not offered | Not offered |
| Employment Contracts | Not offered | Not offered |

(a) All full-time employees meeting certain eligibility requirements are eligible to participate in these plans on essentially the same terms (except for certain differences resulting from differences in annual base compensation).

(b) The Company maintains an Executive Supplemental Retirement Plan for certain of its executive officers, but discontinued contributions to the Plan as of June 2010.

The Company further believes that perquisites for executive officers should be extremely limited in scope and value, and has historically provided few perquisites. The following table lists the perquisites offered, and which employees are eligible to receive them:

| Type of Perquisites | Executive Officers | Full-time Employees |
|---|---|---|
| Employee Discounts (a) | X | X |
| Spousal Travel Reimbursements (b) | X | X |
| Financial Planning Allowances | Not offered | Not offered |
| Automobile Allowance | Not offered | X |
| Country Club Memberships | Not offered | Not offered |
| Personal Use of Company Aircraft (c) | Not offered | Not offered |
| Security Services | Not offered | Not offered |
| Dwellings for Personal Use (d) | Not offered | Not offered |

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(a) All employees are eligible for discounts on Company services.

(b) The Company encourages the spouses of executive officers and certain employees to accompany them to certain Company sponsored events (such as industry association conventions and conferences). The Company reimburses the executive or employee for the cost of the spouse's travel and expenses, and adds such reimbursements to taxable pay for W-2 purposes. The Company does not gross up pay to cover the taxes on such reimbursements.

(c) The Company does not own, lease, or use private aircraft.

(d) The Company does, under certain circumstances, provide hiring/relocation bonuses to newly hired employees and executive officers that may, in whole or in part, be used for temporary living expenses.

Base Salaries

Base salaries reflect the scope of an executive's responsibilities and his or her performance in directing and managing the efforts of the Company or the business unit for which the executive is responsible. Base salaries are initially determined by evaluating the responsibilities of the position, the experience and knowledge of the executive, and the competitive marketplace for recruiting executive talent. Base salaries are reviewed annually by the Compensation Committee, taking into consideration such factors as individual performance and responsibilities, changes to cost of living, the executive's potential overall compensation package and general economic conditions. Comparisons to base salaries for comparable positions at public companies considered to be peers of the Company are also taken into consideration. For decisions made regarding changes to executive compensation in 2014, the Compensation Committee reviewed compensation data disclosed in the proxy filings of the following companies: Alaska Communications Systems Group Inc.; Atlantic Tele-Network Inc.; Boingo Wireless Inc.; Cbeyond Inc.; Cogent Communications Group Inc.; Consolidated Communications Holdings Inc.; Fairpoint Communications Inc.; General Communication Inc.; Hawaiian Telcom Holdco, Inc; Hickory Tech Corporation; Lumos Networks Corp.; NTELOS Holdings Corp.; Otelco Inc.; and, USA Mobility Inc. These companies were selected for comparison because they reflect similar company attributes and core competencies for executive talent, and reflect the labor market for the Company's executive talent, in terms of both industry and organizational complexity. Although the Compensation Committee generally believes that the target total compensation should be at the median of the peer group, the Company does not specifically "benchmark" specific executives'compensation or strive to pay our executive officers, including the named executive officers, at a particular level of compensation. Instead, the Compensation Committee used the information to understand the range of compensation among these comparison companies and to obtain a general understanding of compensation practices.

Annual Incentive Bonuses

Annual bonuses are intended to focus the executive's energy into improving corporate performance based on priorities set by the Board and to reward the executives for the achievement of specific objectives that are deemed to be important to the ongoing success of the Company.  Annual bonuses are relative to a percentage of base salary.  Target bonuses for executives were 80%, 56%, 48%, 48% and 48% for the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Vice President-Wireless and the Vice President-Cable, respectively.  Annual bonuses for salaried employees, including the named executive officers, have been based upon the achievement of a combination of company-wide financial and service performance goals and achievement of individual objectives.  For 2014, the company-wide objectives represented 80% of the total target for all named executive officers, and individual achievement by those executives in certain pre-determined areas of focus represented 20% of the total target. Individual objectives for the Chief Executive Officer and the Chief Operating Officer were established by the independent directors.  Individual objectives for the Chief Financial Officer and other named executive officers were established by the Chief Executive Officer.  Each officer's actual bonus can range up to 150% of the target bonus for exceeding all of the goals and objectives reflected in a given year's plan.  The actual bonus can also range as low as zero in the event there is a failure to achieve any of the goals or objectives, or additional effort is not required to achieve the objectives, in a given year's plan.

For 2014, company-wide performance goals consisted of three components for all named executives. The first component, representing 70% of the total target for the Chief Executive Officer and the Chief Operating Officer, 60% of the total target for the Chief Financial Officer, and 10% of the total target for the Vice President-Wireless and the Vice President-Cable, was a financial objective based on adjusted operating income, which the Company believes is a key driver to creating long-term shareholder value. Adjusted operating income was defined as operating income before depreciation and amortization (OIBDA), excluding accrued expenses for the current year's incentive plan and expenses relating to the Supplemental Executive Retirement Plan.

The target levels of adjusted operating income for the named executive officers were: a minimum of approximately $123.8 million (below which no bonus would be earned on this component); a goal of approximately $126.3 million (which represented 100% achievement toward this component); and a high of approximately $128.7 million (which represented 150% achievement, and beyond which no additional bonus would be earned on this component). The independent directors set the $126.3 million goal after taking into account the Company's operating budget for 2014 and the Company's 2013 adjusted operating income. The 2014 goal represented approximately a 5.7% increase from 2013's adjusted operating income, which was $119.4 million. The maximum threshold of $128.7 million represented approximately a 7.8% increase over 2013's adjusted operating income, and was viewed as evidencing high achievement.

Calculated with the exclusions described above, the 2014 adjusted operating income was $131.8 million. Based upon these results and after considering whether any unusual items impacted the financial accomplishments in 2014, it was determined by the Company's independent directors that the $128.7 million maximum threshold had been exceeded, resulting in a 150% achievement for the financial objective.

The two other company-wide performance goals for 2014 were customer growth in the number of post-paid and pre-paid customers (weighted 75% and 25% respectively) in our PCS business and growth in Revenue Generating Units (RGUs) in the Cable business. These measures were chosen as performance objectives because of the Company's belief that increased customer growth reflects that the Company is providing good service and is a direct measure of how well the Company is performing in these business segments against alternative services. The goal for net customer additions anticipated continued growth over 2013 results, and the goal for Cable RGUs represented significant growth in RGUs over 2013 results. The growth in net additions in our PCS business was based on expectations for demand for wireless services continuing to be driven by demand for smartphones and additional mobile data capabilities but moderated by expectations of slightly increasing levels of churn. The budgeted growth in net additions in our Cable business was based on expected gains resulting from upgrades and new service offerings.

The growth components were weighted equally, and collectively represented 10% of the total target bonus for the Chief Executive Officer and the Chief Operating Officer, 20% of the total target bonus for the Chief Financial Officer, and 10% of the total target bonus for the Vice President-Wireless and the Vice President-Cable. The targets were a minimum of 11,659 weighted net pre-paid and post-paid PCS additions and 6,168 net cable segment RGU additions (below which no bonus would be earned on either component), goals of 12,954 weighted net pre-paid and post-paid PCS additions and 6,893 net cable segment RGU additions (which represented 100% achievement toward each component) and highs of 14,249 weighted net pre-paid and post-paid PCS additions and 7,256 net cable segment RGU additions (which represented 150% achievement, and beyond which no additional bonus would be earned on these components).

In 2014, actual weighted net post-paid and pre-paid additions in the PCS business were 12,638, which exceeded the minimum threshold, resulting in a 75.6% achievement for this component for the Company's employees, including the named executive officers. Actual 2014 net RGU additions in the Cable business were 7,876, which exceeded the /maximum threshold, resulting in a 150% achievement for this component for the Company's employees, including the named executive officers.

For 2014, individual objectives represented 20% of the total potential achievement toward the incentive bonuses of the Chief Executive Officer and the Chief Operating Officer, and were based on the financial performance of the Cable segment. The performance of the Cable segment was measured against thresholds of operating income before depreciation and amortization, which the Board of Directors viewed as an important performance measure of these operations. The targets were a minimum of approximately $13.6 million (below which no bonus would be earned on this component), a goal of approximately $14.8 million (which represented 100% achievement toward this component) and a high of approximately $15.4 million (which represented 150% achievement, and beyond which no additional bonus would be earned on this component).

The actual performance of the Cable segment exceeded the minimum threshold, and resulted in an 82% achievement for this component for the Chief Executive Officer and Chief Operating Officer.

The Chief Financial Officer's individual objective represented 20% of the total potential achievement toward her incentive bonus and was based upon achievements related to development of various business intelligence systems and reports and expense reductions from improvements in the Company's systems of internal controls and its documentation. As a result of partial progress toward the business intelligence objective and less than targeted expense reduction from improvements in internal controls, the Chief Financial Officer achieved a weighted performance of 38% of her individual goal.

For 2014, individual objectives represented 80% of the total potential achievement toward the incentive bonuses of the Vice President-Wireless and the Vice President-Cable, and were based upon achievements related to financial results and customer growth, which were equally weighted, for their respective segments in 2014 relative to the 2014 budget. The financial targets are based on 2014 OIBDA with achievement levels relative to budget of 92%, 96%, 100% and 104% tied to corresponding payout levels of 0%, 50%, 100% and 150%, respectively. The customer growth targets are the same as the Wireless and Cable segment sales objectives used for the overall company results, with achievement levels relative to budget of 90%, 95%, 100% and 110% tied to corresponding payout levels of 0%, 50%, 100% and 150% respectively. The Vice President-Wireless and the Vice President-Cable achieved a weighted performance of 120% and 150%, respectively of their individual goals.

Based on these assessments and results the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Vice President-Wireless and the Vice President-Cable, achieved 82%, 82%, 38%, 120% and 150% of target, respectively, for their personal objectives. Along with the combined performance on the company-wide objectives, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Vice President-Wireless and the Vice President-Cable achieved 132%, 132%, 120%, 122%, and 146%, respectively, of their total targeted bonus.

Long-Term Equity-Based Compensation

Equity-based compensation is intended to focus each of the executives on the long-term, overall impact of their decisions on the Company as a whole, as opposed to the shorter, annual time frame associated with the annual incentive bonuses. Equity-based compensation also aligns the executives' interests more closely to those of the Company's shareholders by generally rewarding executives in proportion to increases in value seen by the entire shareholder base. Due to the long-term nature of this component of compensation, it also serves as a retention tool, helping the Company retain desired management talent.

As part of their overall review of executive compensation, and based on the history of prior equity grants, the Compensation Committee recommended, and the Board of Directors approved, a grant of restricted stock units in February 2014 to the named executive officers and other management employees.

The Company does not have a program, plan or practice to time equity awards, including option grants, to its executive officers or employees in coordination with the release of material non-public information. The grant date of long-term equity awards for our executive officers is the date of the Board of Directors meeting at which the award determinations are made.  The exercise price of stock options issuable under the Company’s 2005 Stock Incentive Plan (which was in effect until shareholder approval in April 2014 of the Company’s 2014 Equity Incentive Plan) and the Company’s 2014 Equity Incentive Plan (which became effective on June 24, 2014) is the closing price of the common stock as reported on the Nasdaq Global Select Market on the grant date.

Retirement Compensation

The Company maintains a defined contribution Executive Supplemental Retirement Plan.  Vesting in the Executive Supplemental Retirement Plan is subject to a ten-year service requirement.  The Company discontinued contributions to the Executive Supplemental Retirement Plan during 2010.

Summary Compensation

The following table presents details about compensation paid or earned by the Company's Chief Executive Officer, Chief Financial Officer, and the next three most highly compensated executive officers serving with the Company at December 31, 2014.

2014 Summary Compensation Table

| | Year | Salary | Stock Awards (a) | Option Awards (b) | Non-Equity Incentive Plan Comp (c) | All Other Compensation (d) | Total |
|---|---|---|---|---|---|---|---|
| Christopher E. French<br>President and CEO | | | | | | | |