

SHENANDOAH TELECOMMUNICATIONS CO/VA/  
Form DEF 14A  
March 09, 2012

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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   
Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Shenandoah Telecommunications Company

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount previously paid:

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

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(3) Filing Party:

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(4) Date File

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SHENANDOAH TELECOMMUNICATIONS COMPANY  
500 Shentel Way  
Edinburg, Virginia 22824

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 17, 2012

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To our shareholders:

Notice is hereby given that the 2012 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 17, 2012, 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 2015;
2. to ratify the audit committee's selection of KPMG LLP as the Company's independent registered public accounting firm for 2012;
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 March 2, 2012 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.

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 [proxy.shentel.com](http://proxy.shentel.com) where you will need to enter the proxy control number from the top of the label on your proxy card, and then follow the voting instructions. Alternatively, you may sign, date and return the proxy in the self-addressed envelope that we have included for your convenience. No postage is required if the proxy is mailed in the United States. Submitting the proxy online, 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,

Ann E. Flowers

Secretary

Dated: March 9, 2012



SHENANDOAH TELECOMMUNICATIONS COMPANY

500 Shentel Way  
Edinburg, Virginia 22824

Annual Meeting of Shareholders  
April 17, 2012

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 2012 annual meeting of shareholders to be held in the auditorium of the Company's offices at 500 Shentel Way, Edinburg, Virginia, on Tuesday, April 17, 2012, 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 use of the mails, 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 proxy card are first being mailed to the Company's shareholders on or about March 9, 2012.

Voting and Revocability of Proxies

A proxy for use at the annual meeting and a return postage-paid envelope are enclosed. You may also vote your proxy by Internet, as directed on the proxy card.

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 accompanying proxy will vote on such matter in their own discretion.

A shareholder executing a proxy card or submitting a proxy through the Internet 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.

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## Voting Procedure

All holders of record of the common stock at the close of business on March 2, 2012, 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 March 2, 2012, there were 23,849,163 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 a plurality 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 the highest number of votes 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. Votes that are withheld will be excluded entirely from the vote and will have no effect on the outcome of the vote.

The proposal to ratify the Audit Committee's selection of KPMG LLP as the Company's independent registered public accounting firm for 2012 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.

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

A copy of the Company's annual report to shareholders and annual report on Form 10-K for the year ended December 31, 2011 accompanies this proxy statement. The Company is required to file an annual report on Form 10-K for the year ended December 31, 2011 with the Securities and Exchange Commission (the "SEC"). Shareholders may obtain, free of charge, a copy of the 2011 Form 10-K, without exhibits, 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](http://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 that permit the delivery of one set of the proxy materials to shareholders who have the same address, to conserve resources and achieve the benefit of

reduced printing and mailing costs. Shareholders residing at a shared address will continue to receive separate proxy cards. If you did not receive an individual copy of our annual report to shareholders or this proxy statement, and wish to do so, the Company will send a copy to you if you 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 by contacting Shareholder Services in the same manner.



## SECURITY OWNERSHIP

## Management Ownership of Common Stock

The following table presents, as of March 2, 2012, 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 March 2, 2012, there were 23,849,163 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	10,448	*
Ken L. Burch	228,210	*
Tracy Fitzsimmons	2,170	*
John W. Flora	2,195	*
Christopher E. French	985,035	4.13
Richard L. Koontz, Jr.	3,550	*
Dale S. Lam	5,705	*
Jonelle St. John	1,706	*
James E. Zerkel II	33,094	*
Earle A. MacKenzie	105,786	*
Adele M. Skolits	25,838	*
William L. Pirtle	21,262	*
Ann E. Flowers	10,983	*
All directors, nominees and executive officers as a group (16 persons)	1,449,749	6.04
*Less than 1%.		

The percentage of beneficial ownership as to any person as of March 2, 2012, 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 March 2, 2012, 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 1,171 shares of common stock owned of record by his spouse. Mr. Arthur disclaims beneficial ownership of such shares.

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 children, 734,801 shares owned of record by 14 trusts for the benefit of Mr. French's family members for which Mr. French serves as trustee, and options exercisable within 60 days of March 2, 2012 to purchase 24,289 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, 10,640 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 687 shares of common stock owned of record by his spouse, and options exercisable within 60 days of March 2, 2012 to purchase 79,692 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 March 2, 2012 to purchase 22,102 shares of common stock.

The shares of common stock shown as beneficially owned by Mr. Pirtle include options exercisable within 60 days of March 2, 2012 to purchase 5,788 shares of common stock.

The shares of common stock shown as beneficially owned by Ms. Flowers include options exercisable within 60 days of March 2, 2012 to purchase 9,049 shares of common stock.

The shares of common stock shown as beneficially owned by all directors, nominees and executive officers as a group includes options exercisable within 60 days of March 2, 2012 to purchase 147,950 shares of common stock.

#### Principal Shareholders

The following table presents, as of March 2, 2012, 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. 40 East 52nd Street New York, NY 10022	1,694,711	7.11
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	1,568,359	6.58

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 February 10, 2012. BlackRock, Inc. reported sole power to vote or dispose of all 1,694,711 shares shown.

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 8, 2012. The Vanguard Group, Inc. reported sole power to vote 33,078 shares, sole power to dispose of 1,535,281 shares, and shared power to dispose of 33,078 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 2013 and at the annual meeting of shareholders in 2014, 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 2015. 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, including 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. 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](http://www.shentel.com).

## Approval of Nominees

Approval of the nominees requires the affirmative vote of a plurality 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 2015

Name	Age	Director Since
Ken L. Burch	67	1995
Richard L. Koontz, Jr.	54	2006
Jonelle St. John	58	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 a member and Vice-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.





Directors Whose Terms Expire in 2014

Name	Age	Director Since
Douglas C. Arthur	69	1997
Tracy Fitzsimmons	45	2005
John W. Flora	57	