

**APPENDIX J:**

Summary of NTI's liquidity and debt

### Liquidity and Capital Resources

For the years ended December 31, 2009 and 2008, we funded our working capital requirements, capital expenditures, stock repurchases, cash dividend payments and our asset purchase agreement with Allegheny Energy, Inc. from cash on hand and net cash provided from operating activities. We believe our cash generated from operating segments will continue to fund our working capital requirements, capital expenditures, higher interest cost following our debt refinancing, stock repurchases through our previously announced repurchase plan, cash dividends and required debt principal payments prior to maturity.

As of December 31, 2009, we had \$727.1 million in aggregate long term liabilities, consisting of \$622.0 million in outstanding long-term debt (\$628.9 million including the current portion and net of a \$6.4 million discount) and approximately \$105.1 million in other long-term liabilities. Our credit agreement also includes a revolving credit facility of \$35 million (the "Revolving Credit Facility"), which is available for our working capital requirements and other general corporate purposes.

In addition to the long-term debt from the credit agreement, we also enter into capital leases on vehicles used in our operations with lease terms of four to five years. At December 31, 2009, the net present value of these future minimum lease payments was \$1.5 million. The aggregate maturities of our long-term debt, excluding capital lease obligations, based on the contractual terms of the instruments are \$6.4 million per year in 2010 through 2014 and \$601.7 million in 2015.

We have a restricted payment basket under the terms of the credit agreement which can be used to make certain restricted payments, including the ability to pay dividends and repurchase stock. In connection with the August 2009 debt refinancing, the restricted payment basket was reset at \$50 million. The restricted payment basket is increased by \$10.0 million per quarter (beginning in the first quarter of 2010) plus an additional quarterly amount for calculated excess cash flow (which was zero for the quarter ended December 31, 2009 due to the asset purchase from Allegheny Energy, Inc. noted above) based on the definition in the credit agreement, and is decreased by any actual restricted payments. During the year ended December 31, 2009, we repurchased shares of our own common stock for approximately \$16.9 million which reduced the restricted payment basket and, as previously noted, we may repurchase an additional \$23.1 million of our common stock up to a total of \$40 million through our repurchase plan announced on August 24, 2009. The balance of the basket as of December 31, 2009 was \$33.1 million

We are a holding company that does not operate any business of our own. As a result, we are dependent on cash dividends and distributions and other transfers from our subsidiaries to make dividend payments or repurchase our common stock. Amounts that can be made available to us to pay cash dividends or repurchase stock are restricted by the NTELOS Inc. Credit Agreement.

Under the credit agreement, NTELOS Inc. is also bound by certain financial covenants. Noncompliance with any one or more of the debt covenants may have an adverse effect on our financial condition or liquidity in the event such noncompliance cannot be cured or should we be unable to obtain a waiver from the lenders of the NTELOS Inc. senior secured credit facilities. As of December 31, 2009, we are in compliance with all of our debt covenants, and our ratios at December 31, 2009 are as follows:

	<b>Actual</b>	<b>Covenant Requirement at December 31, 2009</b>
Total debt outstanding to EBITDA (as defined in the credit agreement)	2.77	Not more than 4.00
Minimum interest coverage ratio	7.80	Not less than 3.00

During the year ended December 31, 2009, net cash provided by operating activities was approximately \$182.6 million. Net income during this period was \$63.3 million. We recognized \$136.8 million of depreciation, amortization, deferred taxes and other non-cash charges (net). Total net changes in operating assets and liabilities used \$17.5 million. The principal changes in operating assets and liabilities from December 31, 2008 to December 31, 2009 were as follows: accounts receivable decreased by \$1.8 million primarily due to an increase in the allowance for doubtful accounts; inventories and supplies decreased \$0.2 million; other current assets increased \$0.5 million; changes in income taxes totaled \$5.5 million due to net estimated tax payments compared to current tax accruals; accounts payable decreased \$1.5 million; and other current liabilities decreased \$2.0 million primarily related to incentive plan bonus accrual at December 31, 2008. Retirement benefit payments for 2009 were approximately \$9.9 million which includes a \$9.0 million pension plan funding.

During the year ended December 31, 2008, net cash provided by operating activities was approximately \$185.3 million. Net income during this period was \$44.8 million. We recognized \$141.6 million of depreciation, amortization, deferred taxes and other non-cash charges (net). Total net changes in operating assets and liabilities used \$1.1 million. The principal changes in operating assets and liabilities from December 31, 2007 to December 31, 2008 were as follows: accounts receivable increased by \$2.0 million; inventories and supplies increased \$3.4 million driven by an increase in demand and thus inventory on hand of higher-priced handsets; other current assets decreased \$0.7 million; income tax receivable decreased \$10.3 million due primarily to the receipt of a \$10.3 million tax refund (as discussed later in this section); accounts payable increased \$0.1 million; and other current liabilities decreased \$0.7 million. Retirement benefit payments for 2008 were approximately \$6.2 million which includes a \$5.4 million pension plan funding.

During the year ended December 31, 2007, net cash provided by operating activities was approximately \$143.9 million. Net income during this period was \$32.5 million. We recognized \$131.9 million of depreciation, amortization, deferred taxes and other non-cash charges (net). Total net changes in operating assets and liabilities used \$20.5 million. The principal changes in operating assets and liabilities from December 31, 2006 to December 31, 2007 were as follows: accounts receivable increased by \$7.1 million due to increased revenues of 14%; inventories and supplies increased \$2.2 million driven by an increase in demand and thus inventory on hand of higher-priced handsets and increases due to attractive volume purchase incentives; other current assets increased \$1.9 million largely related to increases in prepaid maintenance contracts; income tax receivable increased by \$11.6 million, representing excess estimated payments resulting after favorable resolution of certain NOL limitation calculations; accounts payable increased by \$6.3 million; and other current liabilities increased \$2.9 million due primarily to increased advance billings and accrued compensation primarily related to an increase in unpaid

annual incentive compensation. Retirement benefit payments for 2007 were approximately \$6.9 million which includes a \$6.0 million pension plan funding.

Our cash flows used in investing activities for year ended December 31, 2009 were approximately \$134.6 million. Of this total, \$26.7 million was used to acquire certain fiber optic and network assets and related transport and data service contracts from Allegheny Energy, Inc. The remaining \$107.9 million was used for the purchase of property and equipment comprised of (i) approximately \$50.7 million related to our wireless business, including approximately \$3.0 million of incremental capital expenditures related to our network upgrade to EV-DO, approximately \$13.2 million of continued network coverage expansion and enhancements within our coverage area, approximately \$31.5 million of expenditures for additional capacity to support our projected growth in our NTELOS-branded subscribers and increased voice and data usage by existing subscribers and growth in voice and data usage under the Strategic Network Alliance, and approximately \$3.0 million to support our existing networks and other business needs, (ii) approximately \$37.3 million for the actual and projected growth of our high capacity transport, voice and data offerings and new fiber deployments within and contiguous to our existing competitive segment service areas, for fiber deployment in the RLEC territory related to an infrastructure upgrade to offer, among other services, enhanced broadband services and IPTV-based video services, and other facility upgrades and routine capital outlays supporting our wireline segments, and (iii) approximately \$19.8 million related primarily to information technology inclusive of \$7.9 million for our new prepaid service billing platform implemented in third quarter 2009 and for web portal applications to enhance the customer on-line buying, payment and account management experiences.

Our cash flows used in investing activities for the year ended December 31, 2008 were approximately \$132.4 million used for the purchase of property and equipment comprised of (i) approximately \$88.4 million related to our wireless business, including approximately \$37.5 million of incremental capital expenditures related to our network upgrade to EV-DO, approximately \$19.1 million of continued network coverage expansion and enhancements within our coverage area, approximately \$23.0 million of expenditures for additional capacity to support our projected growth in our NTELOS-branded subscribers and increased usage by existing subscribers and growth in voice and data usage under the Strategic Network Alliance, and approximately \$8.8 million to maintain and support our existing networks and other business needs, (ii) approximately \$35.1 million for routine capital outlays and facility upgrades supporting our RLEC operations, for the actual and projected growth of our Competitive Wireline voice and data offerings, and for fiber deployment in the RLEC territory related to an infrastructure upgrade to offer, among other services, an enhanced broadband service offering and an IPTV-based video service offering, and (iii) approximately \$9.0 million related to information technology and corporate expenditures to enhance and maintain the back office support systems.

Our cash flows used in investing activities for the year ended December 31, 2007 were approximately \$109.6 million used for the purchase of property and equipment comprised of (i) approximately \$77.6 million related to our wireless business, including approximately \$24.7 million of incremental capital expenditures related to our network upgrade to EV-DO, approximately \$16.1 million of continued network coverage expansion and enhancements within our coverage area, approximately \$24.2 million of expenditures for additional capacity to support

our projected growth in our NTELOS-branded subscribers and increased usage by existing subscribers and growth in voice and data usage under the Strategic Network Alliance, and approximately \$12.6 million to maintain and support our existing networks and other business needs, (ii) approximately \$24.6 million for routine capital outlays and facility upgrades supporting our RLEC operations, for the actual and projected growth of our Competitive Wireline voice and data offerings, and for fiber deployment in the RLEC territory related to an infrastructure upgrade to offer, among other services, an enhanced broadband service offering which commenced in the fourth quarter of 2006 and the third quarter 2007 launch of a new IPTV-based video service offering, and (iii) approximately \$7.4 million related to information technology and corporate expenditures to enhance and maintain the back office support systems.

We currently expect capital expenditures for 2010 to be in the range of \$78 million to \$87 million. Our capital expenditures associated with our wireless business will be primarily for additional capacity needs, continued network coverage expansion and for coverage enhancements within our coverage area. Our wireline capital expenditures will be targeted to provide normal network facility upgrades for our RLEC operations, to support the projected growth of our Competitive Wireline voice and data offerings, including strategic fiber builds, and fiber deployment in the RLEC territory related to an infrastructure upgrade to offer, among other services, continued deployment of fiber to the home and growth in IPTV-based video subscribers. Finally, we will make additional investments in web portal and other enhancements and upgrades to our information technology systems in support of growth and new service offerings and applications.

Net cash used in financing activities for the year ended December 31, 2009 aggregated \$62.6 million, which primarily represents the following:

- \$628.7 million in proceeds from the issuance of long-term debt, net of original issue discount;
- \$11.5 million in debt issuance costs;
- \$608.1 million used to repay our first lien term loan;
- \$9.3 million used to terminate our interest rate swap, inclusive of \$2.3 million of accrued unpaid interest;
- \$44.0 million used for common stock cash dividends (\$1.04 per share in the aggregate) paid on January 12, 2009, April 13, 2009, July 13, 2009 and October 13, 2009;
- \$16.9 million used for the repurchase of our common stock;
- \$1.4 million used for capital distributions to noncontrolling interests;
- \$0.7 million used to acquire a noncontrolling interest in the VA Alliance; and
- \$0.7 million proceeds and tax benefits primarily related to the exercise of stock options and net borrowings under capital leases.

Net cash used in financing activities for the year ended December 31, 2008 aggregated \$40.7 million, which primarily represents the following:

- \$6.3 million in payments on our senior secured term loan;
- a total of \$35.4 million for common stock cash dividends (\$0.84 per share in the aggregate) paid on January 10, 2008, April 11, 2008, July 11, 2008 and October 10, 2008; and
- \$1.0 million proceeds and tax benefits primarily related to the exercise of stock options.

Net cash used in financing activities for the year ended December 31, 2007 aggregated \$25.1 million, which primarily represents the following:

- \$12.5 million in payments on our senior secured term loan;
- a total of \$12.6 million for two common stock cash dividends (\$0.15 per share) made on July 12, 2007 and October 11, 2007;
- \$0.9 million in debt issuance costs; and
- \$0.8 million proceeds and tax benefits primarily related to the exercise of stock options.

As of December 31, 2009, we had approximately \$51.1 million in cash and working capital (current assets minus current liabilities) of approximately \$41.3 million. As of December 31, 2008, we had approximately \$65.7 million in cash and working capital of approximately \$49.7 million. Of the cash on hand on December 31, 2009, \$47.2 million was held by NTELOS Inc. and its subsidiaries which are subject to usage restrictions pursuant to the credit agreement.

We paid dividends totaling \$11.0 million, or \$0.26 per share, in each of the four quarters of 2009. On November 3, 2009, the board of directors declared a dividend in the amount of \$0.28 per share which was paid on January 12, 2010 to stockholders of record on December 14, 2009 and totaled \$11.6 million. On February 25, 2010, the board of directors declared a dividend in the amount of \$0.28 per share to be paid on April 12, 2010 to stockholders of record on March 12, 2010. We intend to continue to pay regular quarterly dividends on our common stock. Any decision to declare future dividends will be made at the discretion of the board of directors and will depend on, among other things, our results of operations, cash requirements, investment opportunities, financial condition, contractual restrictions and other factors that the board of directors may deem relevant. We are a holding company that does not operate any business of our own. As a result, we are dependent on cash dividends and distributions and other transfers from our subsidiaries to make dividend payments or to make other distributions to our stockholders, including by means of a stock repurchase. Amounts that can be made available to us to pay cash dividends or repurchase stock are restricted by the NTELOS Inc. Credit Agreement (as discussed earlier in this section).

We believe that our current cash balances of \$51.1 million and our cash flow from operations will be sufficient to satisfy our foreseeable working capital requirements, capital expenditures, cash dividend payments and stock repurchases through our stock repurchase plan discussed above for the next 24 months. If our growth opportunities result in unforeseeable capital

expenditures, we may need to access our \$35 million revolving credit facility and could seek additional financing in the future.

**Senior Incremental Term Loan Facility**

NTELOS Inc. has engaged J.P. Morgan Securities, Inc. (“J.P. Morgan”) and CoBank “CoBank” and as joint lead arrangers and joint bookrunning managers for a \$125 million Senior incremental term loan facility (the “Incremental Facility”) as contemplated in the company’s existing Senior Secured Credit Facilities (the “Existing Facility”). Proceeds from the Incremental Facility combined with the use of funds from the revolver and cash on the balance sheet will be used to acquire FiberNet, a wholly owned subsidiary of One Communications. NTELOS has agreed to acquire FiberNet for \$170 million and the transaction is expected to close in the fourth quarter of 2010. The following table illustrates the sources and uses of funds and pro forma capitalization for the transaction.

Sources and uses of funds			
(\$mm)			
Source	Amount (\$)	Uses	Amount (\$)
Cash on hand	46.5	Purchase of FiberNet	175.0
Revolving credit facility (total \$35m)	10.4	Transaction costs	5.6
New borrowing <sup>1</sup>	123.7		
<b>Total sources</b>	<b>\$180.6</b>	<b>Total uses</b>	<b>\$180.6</b>

<sup>1</sup> Proceeds net of 1% discount.