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Transcript of
NTELOS Holdings Corp. (NTLS)
Third Quarter 2009 Earnings Conference Call
November 6, 2009

Participants

Wesley Wampler - Investor relations Director – NTELOS Holdings Corp.
James S. Quarforth - Chief Executive Officer – NTELOS Holdings Corp.
James A. Hyde - President and Chief Operating Officer - NTELOS Holdings Corp.
Michael B. Moneymaker - Executive Vice President and Chief Financial Officer - NTELOS Holdings Corp.

Presentation

Operator
Greetings and welcome to the NTELOS Holdings Corp. Third Quarter 2009 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press *0 on your telephone keypad. As a reminder this conference is being recorded.

It is now my pleasure to introduce your host, Wes Wampler, Investor Relations Director for NTELOS Holdings Corp. Thank you. Mr. Wampler, you may now begin.

Wesley Wampler, Investor Relations Director – NTELOS Holdings Corp.
Thank you. Good morning and welcome to the NTELOS Third Quarter 2009 Earnings Conference Call. The topics for today's call include an overview of business activities and financial highlights for the quarter and the discussion of updates to the company's 2009 financial guidance.

Here at NTELOS today, we have James S. Quarforth, the company's Chief Executive Officer; James A. Hyde, President and Chief Operating Officer; and Michael B. Moneymaker, Executive Vice President and Chief Financial Officer.

We'll begin with comments from Mr. Moneymaker, followed by comments from Mr. Hyde and Mr. Quarforth and then we'll take questions you may have. We ask that questions on this call be from current investors or analysts and that any media questions be later directed to Mike Minnis, our Director of Public Relations.

Before we continue, I would like to point out that certain of the statements contained in our earnings release and on this conference call are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those described. Please refer to the earnings release for a special note regarding forward-looking statements.

Also, in an effort to provide useful information to the investors, our comments today include non-GAAP financial measures. For details on these measures including why we use them and reconciliations to the most comparable GAAP measures, please refer to our earnings release on our website at www.ntelos.com or to the 8-K filing provided to the SEC.

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With that, I will now turn the call over to Mike Moneymaker, CFO of NTELOS.

Michael Moneymaker – Chief Financial Officer - NTELOS Holdings Corp.
Thank you, Wes and good morning. Operating revenues and operating income were $135.7 million and $32.9 million respectively for the third quarter 2009. We realized net income attributable to NTELOS Holdings Corp of $14.3 million or $0.34 per share for the third quarter of 2009.

Adjusted EBITDA was $56.6 million for the third quarter of 2009. These results reflect the impact of a $2.8 million reduction to Sprint wholesale revenues due to a planned contractual rate reset on July 1, 2009 and the travel data rate and higher UGA calls associated with 5400 higher wireless gross customer additions in the third quarter over the seasonally lower second quarter sales.

Offsetting these wireless declines, we got another record level of adjusted EBITDA for our wireline segment which experienced a $1.1 million increase from the second quarter levels. Our adjusted EBITDA plus capital expenditures was $35.2 million, up $12.8 million over the second quarter 2009 level. These actual results reflect completed capital expenditures related to our EV-DO upgrade in the second quarter and successful launch of a new prepay billing platform in the third quarter and, based on the midpoint of our 2009 guidance, our comparable cash flows for the fourth quarter 2009 should be approximately $37 million.

Looking next at our key operating performance metrics, first, an overview of wireless. Our third quarter 2009 wireless subscriber revenues were $69.1 million, a 3.6% decline from the second quarter reflective of a nearly 1% decline in subscribers driven by the impact of seasonally higher third quarter turn and a $0.27 decline in total ARPU or about lower competitive pricing in economic conditions that caused the decline in prepay ARPU.

Postpay ARPU remains solid at $57.53, an increase of $0.25 from the second quarter driven by continued growth in postpay data ARPU from the sales of smartphones and data cards to our postpay subscribers and with the recent launch in the fourth quarter of data cards and smartphone offerings to our prepay subscribers, we expect similar positive prepay data ARPU movement will be a catalyst for future ARPU growth.

CPGA was $334 for the third quarter of 2009 as compared to $397 for the second quarter of 2009 and $373 for the third quarter of 2008. Higher prepaid sales particularly in our Richmond and Hampton Roads markets where we launched FRAWG late in the second quarter contributed to the decline in our blended CPGA cost as subseason commissions for the FRAWG plans are significantly lower than those of conditional prepay and postpay plans. These savings more than offset higher subsidies related to a strong mix of smartphone and data card sales. These devices represented over 30% of our postpay sales for the quarter contributing to the higher postpay ARPU.

CCPU was $33.58 for 3Q'09, a 1% increase from 2Q09 CCPU of $33.23. Retention cost net of related equipment revenues from existing customers was $2.8 million, an increase of $0.3 million from the second quarter, while debt expense was $3.3 million or nearly 11% better than the second quarter 2009.

We completed our EV-DO network upgrade in June 2009 in the Richmond and Hampton Road markets which contributed to our higher run rate for combined network access and cell site expenses which were up $12.2 million in the third quarter of 2009, up a half a million from the second quarter of 2009. While this represents a $2.4

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million increase in network access and cell site expenses from 1Q'08 to 3Q'09, during the same time, our Sprint wholesale revenues increased $3 million per quarter even after the July 1, 2009 rate reset.

Moving next to wireline. Our wireline segment recognized adjusted EBITDA of $18.6 million in 3Q'09, an increase of $1.1 million from the second quarter 2009 and $1.4 million from the third quarter of 2008. Despite RLEC line losses of 7.5%; our RLEC generates strong and stable adjusted EBITDA of $11.1 million, up $0.3 million from the second quarter of 2009 and equal to the third quarter of 2008. Our competitive segment generated adjusted EBITDA of $7.5 million as compared to $6.7 million for 2Q09 and $6.1 million 3Q08. These results reflect $0.7 million of additional revenues from dedicated Internet and metro Ethernet connections and video service offerings.

Looking next to our liquidity and our current financial condition, capital expenditure for property and plant equipment for the third quarter and first nine months of 2009 were $21.5 million and $91 million respectively.

As I noted earlier, where our EV-DO upgrades completed in significant amounts now behind us for the long haul fiber network build-outs and IT prepay billing and web portal projects, we expect lower capital spending in the fourth quarter and a well position for strong cash flow generation and growth in the future.

Cash provided by operating activities was $51.4 million in the third quarter of 2009, up from $49.8 million in the second quarter 2009 and up from $44.3 million in the first quarter of 2009.

During the third quarter of 2009, we successfully closed on the refinancing of our debt facility, extending the maturity to August 2015. Our previous debt facility had ballooned principal payment commencing on December 31, 2010.

Proceeds from our new $635 million debt facility were used to pay off the existing first lien term loan, pay closing another financing cost, unwind our existing interest rate swap agreement and we had $4 million available for general corporate purposes.

Pricing on the new first lien term loan was set at LIBOR plus 3.75% with a LIBOR for 2% and had a 1% OID. This new credit facility also reset the restricted payment basket at $50 million and provides for an increase to basket of $10 million per quarter offset by stock buyback and quarterly dividend payments. Adjusted EBITDA for the last 12 months ended September 30, 2009 was $228.7 million which results on a ratio of total debt obligation at September 30, 2009 to adjusted EBITDA to the last 12 months in December 31, 2009, up 2.78:1.

I am also pleased to report the total debt obligations net of $86.6 million of cash on hand at September 30, 2009 was $550 million. That $550 million, this represents a ratio to adjusted EBITDA for the last 12 months ended September 30, 2009 up 2.40:1. With $86.6 million of cash on hand at September 30, 2009, we have sufficient funds on hands to cover the authorized stock we purchased and to cover the closing costs from the purchase of fiber optics and network assets and service contracts from Allegheny Energy, Inc.

With that, let me now turn the discussion over to Jim Hyde, our President and COO who will provide an update on our latest business and operational developments.

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James A. Hyde - President and Chief Operating Officer –NTELOS Holdings Inc.
Thanks Mike and good morning. As Mike has covered most of the key operating results for both the wireline and wireless business units, I'll provide an overview of some of the important developments in the business this year and also try to provide some color as to what you can expect from NTELOS going forward.

2009 has been a challenging year on a number of fronts. We also had our fair share of successes. Certainly, we have been impacted by macroeconomic drivers and we've seen an industry-wide pricing reset of prepaid services. In July, we had a scheduled pricing reset under our Sprint Network lines contract. While this pricing reset was planned and well communicated, it came at an inopportune time in that it takes us to the $9 million monthly revenue minimum and will represent a $5 million reduction in revenue for 2010 year-on-year and that's assuming the $9 million monthly minimum for all of 2010.

Furthermore, in our success side, we've seen a year-on-year increase in wireline and wireless total revenues for the nine months ended September 30th of 1.9% and 5.4% respectively.

Our wireline business continues to outperform the industry with adjusted EBITDA of 8.4% over third quarter of 2008. As I mentioned, we have seen an impact on our business that has been economy-driven. Wireless subscriber churn, for example, was up in Q3 to 3.57% from 3.14% in Q3 2008. The majority of the increase is on the prepaid side. However, we have seen an increase in postpay churn as well. Postpay churn for the quarter was 2.4%, up from 2.12% same period last year. Another impact driven by the economy is the increase we have seen in wireless bad debt, up 2% in terms of percentage subscriber revenue year-on-year.

Furthermore, and also on the wireless side, we've seen some level of rate plan optimization taking place that has impacted ARPU. Again, this has been primarily prepay with prepay ARPU down in Q3 to $42.89 from $48.45 in Q3 last year. Postpay ARPU was also down slightly year-on-year to $57.53 down from $57.85 last year, driven by another solid increase in postpay data ARPU to $10.26 up 3.8% sequentially and 29.4% year-on-year.

Finally, we have seen a decrease in postpay gross additions. Some of the decrease may be attributed to our successful launch and focus on FRAWG in our Virginia East markets. But we've also seen a drop in consumer credits course during this difficult economy impacting customers' ability to qualify for a contract. Postpay gross additions for the quarter was 17,456 down from 23,595 last year, and also down sequentially, albeit slightly by 1.8%. We have been very proactive during this recessionary period which has allowed us to remain competitive and drive solid operating margins.

On consolidated basis, adjusted EBITDA margins for Q3 were very healthy 41.7% with our wireline business having a record-quarterly EBITDA of $18.6 million. More specifically, some of the things we have done proactively during the quarter and throughout the year to ensure business continues to perform and grow include the following; as many of you already know we launched FRAWG, our simplified prepaid unlimited plan during the second quarter. So Q3 represents the first full quarter of FRAWG results.

I'm pleased to announce that FRAWG continues to exceed our original expectations, delivering gross add in Q3 of 17,926 new subscribers. Moreover, 84% of all new FRAWG customers are signing on to the top two price tiers of either $40 or $50.

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FRAWG allowed NTELOS to take advantage of the trends we've seen develop in the wireless marketplace and many of them economy-driven, but it's also allowed us to preempt our competitors both old and new in our FRAWG markets.

Similarly, we have been intentionally cautious with our postpaid sales and marketing spend. As we have seen gross debt in the segment decline, we have been careful not to miss-time those investments. I'll speak a bit more on that in just a moment.

We've also made appropriate changes to our credit policies and collection processes in order to stem any additional bad debt exposure. In fact, Q3 was the first quarter we have seen a decline in bad debt expense in several quarters, an outcome we find very encouraging.

Finally, we have been and will continue to be relentless on cost containment which has allowed us to grow adjusted EBITDA on a year-on-year basis and perhaps, more importantly be well positioned to attack the market and grow as we exit the recession.

We have also been very opportunistic during the economic downturn with our strategic capital investments. Specifically, we have completed our EV-DO network upgrade on the wireless side which is beginning to pay us big dividends in terms of data ARPU growth. And again, we reported postpaid data ARPU during the quarter of $10.26 per customer and we exited the quarter, so in the month of September, with that figure being solidly at $10.50 per customer.

On the wireline side, we've completed several long haul fiber builds. In September, we completed a fiber optic route from Charlottesville, to Ashburn, Virginia replacing fiber previously leased and providing interconnection into the Internet Hub in Ashburn. In addition to the cost savings generated by bringing this traffic on-network, new revenue opportunities were created for both wholesale and enterprise sales in three key new markets. We also executed a fiber-swap agreement where NTELOS obtained groups from Winchester to Ashburn in Virginia, and segments from Beckley to Clarksburg in West Virginia which provide expense savings, new wholesale and enterprise revenue opportunities and diversity into the Internet cloud connection in Ashburn.

During the quarter, our CLEC business reported revenues of $16.9 million, that's up 6% year-on-year EBITDA of $7.5 million, up $1.4 million year-on-year. And is delivering EBITDA margins of 44.3% which is among the best in the industry.

During the third quarter, we completed two key system upgrades, our new web portal and our new prepaid billing system we've been talking a lot about. The web portal will allow us to improve our customer sales in service experience greatly, lower our blended acquisition costs, and drive customer care expense down on a go-forward basis. The new prepay billing platform allows for a greatly enhanced customer experience at time of provisioning, more choices and greater optimization of payment options and perhaps, most importantly, it allows us to begin to take advantage of selling an expanded suite of data products and services to our prepaid customers which will in turn accelerate our prepaid data ARPU growth.

Finally, we announced our intent to acquire the fiber assets and customer contracts from Allegheny Energy. This key asset doubles our fiber footprint and opens up 25 new markets to our CLEC business and is clearly an opportunity we're very excited about. I encourage you to review our earlier press release and the map of our expanded fiber optic network footprint on the website to appreciate the strategic fit of these assets.

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Jim Quarforth, will provide more color on this transaction in just a few minutes.

In summary, we have a deep understanding of the economic impact on our business during 2009 and more importantly, the drivers behind those impacts which have allowed us to take appropriate steps during the year to ensure we exit the recession a stronger, faster and better company than when the recession began. With many of our large capital investments now behind us, we can begin to monetize those investments, try to bring positive returns and growth while increasing free cash flow. We've also projected 30% plus increase in free cash flow of 2009 versus 2008. I think we can expect another strong year of cash flow growth in 2010 as our CapEx returns to a more normalized run rate.

While top line will continue to be a challenge as we deal with the economy, we have increased our efficiencies through proactive cost initiatives to maintain excellent operating margins. However, we are beginning to see conditions improve. For instance, on the wireline side, we had a couple of very good and improving sales months during the quarter, with sales almost beginning to fill up again. This development indicates decision-makers are back in the market planning for expansion.

On the wireless side, postpay ARPU was actually up sequentially. Prepay ARPU is stabilized while voluntary and involuntary churn are indicating the start of a turn around and bad debt is slowly beginning to return to more normalized levels.

Sprint, while they recently reported another quarter of net subscriber losses for the business nationally, showed an increase in net assets over the last couple of months in the markets covered by our network agreement with them. Additionally, since the pricing reset in July, we have seen $500,000 or an 8% increase in the monthly invoice revenues to $7.8 million. All these factors combined, have prompted us to begin a ramp up on our investment postpay customer growth.

We have recently launched a new brand campaign with a strong call to action for the holidays. We have refreshed our postpaid price plans, reemphasizing our best value position, and we have expanded our handset and device line up with an emphasis with EV-DO capable devices like the HTC Hero which runs on the Android Operating System. All these should allow us to address top line revenue and subscriber development in a meaningful way. Thanks for joining the call today.

I'd like to turn it over now to Jim Quarforth, our CEO.

James S. Quarforth, Chief Executive Officer – NTELOS Holdings Inc.
Thanks Jim. I plan to discuss the implications of the recently announced Allegheny Fiber Assets acquisition, the dividend increase, the Share Repurchase Program status and our updated guidance.

On the M&A front, the company recently announced the execution of agreement to purchase certain fiber optic network assets and contracts from Allegheny Energy. The purchase included approximately 2200 fiber route models located primarily in Central and Western Pennsylvania and West Virginia. We expect to close by year end subject to regulatory approvals. Projected 2009 pro forma revenue and EBITDA are expected to be $8 million and $4.5 million respectively. The purchased price for the asset is approximately $27 million.

We are very excited about this acquisition for a number of reasons. First, the fiber network is connected to and geographically adjacent to our existing fiber network

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creating a significantly expanded footprint with greater operating efficiencies. The network nearly doubles our existing 2500-mile network passing through approximately 25 new markets with similar characteristics to our existing competitive markets. For example, the new network markets include 17 county seats compared to 19 in our existing competitive network markets. The new network markets have approximately 50% more colleges and universities and 25% more population than our existing markets. We have received very positive feedbacks in the current carrier and enterprise customers regarding this transaction.

We have been highly successful in developing our competitive business focusing on carrier and high bandwidth enterprise customers such as government, healthcare, education and banking. This expansion will allow us to continue to leverage our capabilities and grow our competitive business. As Mike has pointed out, this acquisition will be paid for out of cash-on-hand and will be accreted day one.

The company anticipates strong free cash flow growth this year. Using the midpoint of our guidance range, free cash flow should approximate $120 million or a 32% growth over 2008. And the result of this growth and the confidence for continued free cash flow growth, in the future the Board has declared a quarterly cash dividend on its common share, common stock in the amount of $0.28 per share to be paid on January 12, 2010 to shareholders of record on December 14, 2009. This represents an increase in the quarterly dividend of $0.02 per share or 7.7%. Based on yesterday's stock price of $15.45, this represents a dividend yield of 7.2%

On August 24th, the Board of Directors approved a share repurchase program authorizing the repurchase of up to $40 million of NTELOS common stock. During the remaining open window period in the third quarter, 118,340 shares were repurchased for a price of $1.9 million.

As we near the end of the year, we are refining our guidance based on our year-to-date results and fourth quarter projection. Our updated total operating revenue guidance is a range of $549 to $553 million. Wireless operating revenue guidance is a range of $425 to $427 million. This is a reduction from previous guidance reflecting the higher churn ARPU pressures experienced during the challenging economic climate this year.

Wireline operating revenue guidance is in the range of $124 to $126 million. Total adjusted EBITDA guidance is at the range $227 to $230 million. This slightly lower guidance level reflects additional operating investment the company plans for the balance of the year to position it for further growth as we exit this recessionary period. Whilst suggested EBITDA guidance range is $162 to $164 million, wireline adjusted guidance range is $71 to $72 million.

The operating income guidance range is higher on the low end of the range with a new range of 125 million to 131 million; we are pleased to see this reflects an 11% growth over 2008 operating income based on the mid-point of the range.

The net income guidance range is also higher from the low end of the range with a new guidance range of 57 to 59 million. Using the mid point of range, net income is projected to grow 29% over 2008 net income. Free cash flow guidance has been increased to a new range of 119 to 123 million. We are very pleased with these results as they reflect growth of 32% over 2008 free cash flow results based on the mid-point of the range.

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While this has been a challenging economic climate operating this year, we believe we have taken prudent steps over the course of the year to manage the business in preparation for coming out of this economic business cycle, specifically, we have continued to make strategic capital investments to support future growth such as completing our EV-DO relay upgrade for improved ARPU, installing a new web portal for greater product distribution in customer self-care, installing a new prepaid billing platform to support prepaid data ARPU growth, extending key fiber optic networks for revenue generation, operating cost reductions, and executing an agreement to acquire fiber optic assets and contracts from Allegheny energy. In addition, we've executed on numerous cost containment measures to reduce our cost structure and improve operating performance. Proactive steps were also taken to address the changing landscape in prepay with a highly successful FRAWG launch in May. We believe these measures and other planned initiatives will be key to emerging from the recession with a stronger company position, better for a new growth cycle.

As we look into the future, the company is clearly focused on its growth and free cash flow, with many our large broadband oriented capital projects behind us, we can now monetize those investments, driving new revenue growth and increase free cash flow. The key drivers to support this growth in both our wireline and wireless businesses are broadband data products. Both businesses offer best in class broadband capabilities in products such as data cards and smartphones in our wireless business, metro Ethernet for our wireline, enterprising carrier customers and up to 20 megabit Internet speeds over five of our residential customers within the highway.

The team continues to be excited about the progress we've made in key strategic areas and the position the company is in as we exit this economic cycle. We'll now take questions and ask the operator to give instructions. Thank you.

Operator
Thank you. We'll now be conducting a question and answer session. If you would like to ask a question, please press *1 on your telephone keypad. A confirmation tone will indicate your line is in question queue. You may press *2 if you would like to remove your question from the queue. For participant's using speaker equipment, it may be necessary to pick up your handset before pressing the * keys. One moment please while we poll for questions.

Our first question comes from Ric Prentiss from Raymond James.

Ric Prentiss – Raymond James
Good morning guys.

James S. Quarforth, the company's Chief Executive Officer
Hey Ric.

Ric Prentiss – Raymond James
A couple of questions, first, I'd like to start with the prepaid ARPU, can you talk us through a little bit about the trends throughout the month of the quarter and what you've seen as we go into fourth quarter here, how that affected the guidance as you mentioned, I think both churn and ARPU pressure there? And as you mentioned also, just one question, I swear, the IC billing system helping you sell prepaid data products, how do you imagine that working out, what type of phones are you willing to use? So, first question, prepaid ARPU, just kind of holding to five questions.

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Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
So the prepaid ARPU, hey Ric. Good to hear from you, by the way. Prepaid ARPU was relatively flat throughout the quarter, so we didn't see any real kind of ups and downs. The drop in prepay ARPU that we saw over the course of the year really reflects the reset that took place about a year ago. If you recall, we reduced prepaid pricing in all of our kind of rate plan price points by about $10 across the board. It just takes some time for that to be sort of reflected through the base of customers. I made comments earlier to suggest that we've seen stabilization of our prepaid ARPU and what that really mean is, we think that reset has sort of washed its way through. And if you also now look at the gross ads, the new customers that we're putting on in prepaid predominantly in FRAWG, those customers are all coming in - the majority of those customers are coming in at either $40 or $50 per month, by the way, split about equally between those two price points so you can kind of do the math, that sort of puts our prepaid ARPU on a projected basis we think in a pretty good place. That's the prepaid ARPU question.

Ric Prentiss – Raymond James
And what about selling data to those guys, how quickly do you think you can start selling and seeing data applications help that ARPU also?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Yes, so that's begun already. During the quarter, we were able to install the new prepaid billing platform which allows for an expanded suite of prepaid data products and services, data cards being one of them paid per day, a billing capability which we think is really sort of a sweet spot for these customers in terms of add-ons. So, that's already begun. We expect a positive development on prepaid ARPU as a result of that over the very short term. Additionally, you know, we have packaged with the higher end price points and we packaged some data in there in our audio game plans which should drive not only prepaid data ARPU, although that will depending on the total number, but as those customers now have access to a greater number of choices in terms of higher end devices, they'll be able to access things on the Internet, so it will be additional revenue opportunities for us in the future.

Ric Prentiss – Raymond James
And my second question is on wireless EBITDA, the results in third quarter wireless EBITDA was actually down year-over-year and it looks like fourth quarter guidance is implying kind of flattish to maybe slightly down, I'm just wondering, as you look into fourth quarter and then out to 2010, confident on growing EBITDA and wireless, what's it take to get back to kind of a growth curve?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
So on wireless EBITDA, a couple of things obviously impacting the results you saw in third quarter on year-on-year basis, you know, the largest of which has been the revenue run-rates. We had to reset on the wholesale side. It's taken some topline revenue off in terms of the Sprint agreement. We've also had some pressure on ARPU and subscriber development has been sort of less than stellar so far this year. While a lot of that has been a economy-driven, you know, we've really been careful in terms of how we've invested our sales and marketing dollars during this sort of recessionary period that we've been experiencing. Whether we need to do sort of back on track from a growth curve perspective is continue to drive data. We're very pleased with, you know, the developments of data ARPU on the postpaid side, you know, even now the prepaid side.

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And I think, properly-timed, the investments we've made in terms of sales and marketing spend targeted at the postpaid segment, as the economy begins at some levels, not all levels to show signs of improvement, we're beginning to ramp those investments up. As I mentioned earlier, we've revamped our postpaid rate plans and we've launched a new advertising campaign targeted specifically at postpaid customers within a key portion of our footprint where we had backed off significantly in previous quarters to emphasize our FRAWG launch.

So as we see those subscribers begin to come back in on the postpaid side and data continuing to contribute positively to the revenue development, we think that's a good new story into the future to kind of get EBITDA back on track. Having said that, I mean, you've seen our revenues, sort of run rates and our subscriber development, so as you look to 2010, I think you just need to factor those things into your model.

Ric Prentiss – Raymond James
Okay, thanks guys.

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Sure, thank you.

Operator
Thank you. Our next question is coming from David Dixon from FBR Capital Markets.

David Dixon- FBR Capital Markets
Thanks, good morning Jim.

James S. Quarforth, the company's Chief Executive Officer
Good morning, David.

Wesley Wampler, Investor relations Director – NTELOS Holdings Corp.
Good morning, David.

David Dixon- FBR Capital Markets
I wanted to just delve into the data card thing, , I know it's not a huge part of your business today, but just to get some color on data card momentum, you sort of – very attractive pricing out there right now at $40 a month, I wondered if you could talk about the capacity demand on your network, I wondered - specifically give us some color on how profitable that would on a fully loaded cost basis and from a cost perspective, whether there's a preference for loading customers on your network from a retail standpoint or bringing them in obviously through the wholesale side of the business based on that agreement, that would be great? Thanks.

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Sure. Well first of all, in terms of the development of the data card business, with the completion of our EV-DO network, we expect that to continue to ramp up and certainly, we're watching very carefully that you know, the capacity requirements of those customers as the demand per data increases. We've seen a very healthy growth rate of data cards. We've seen about 1%-ish per quarter increase in overall customer penetration of data cards across our base of customers on the postpaid side and we're pleased with that result and you kind of compare where we sit in relation to some of the other carriers out there who had 3G networks in place for longer periods of time. Certainly, the argument is there for us that we'll continue the accelerated data card penetration within our customer base.

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In terms of the capacity and the profitability, you know, we like the opportunity on data whether it's retail or wholesale. Certainly, because of our wholesale arrangement with Sprint, we're able to leverage the investments we've made into our networks in a very profitable way. Our agreement with Sprint allows for very high margin data business and we've seen, you know, a continuous increase in data requirements and therefore, revenue from Sprint. And on the retail side, you know, it's great business for us to continue to go chase this as well and because of the dynamics of having an opportunity at both retail and wholesale leveraged against that same cost, you know, the profitability profile is very good.

David Dixon- FBR Capital Markets
Just to clarify Jim, there's no rationale that's going to move that price point up towards where your competitors are in the marketplace?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
No, we think we're priced right.

David Dixon- FBR Capital Markets
Okay. All right, thanks very much.

Operator
Thank you. Our next question is coming from Phil Cusick from Macquarie Groups.

Phil Cusick – Macquarie Groups
Hey guys. Thanks for taking my call. You know, I thought it was interesting, you talked a lot about the economy being weak and it's pretty consistent from what we've heard from a lot of people, but you also seem to be calling the bottom a little bit here on the perceived weakness and I wonder if you can expand on that little bit, first of all. Thanks.

James S. Quarforth, the company's Chief Executive Officer
Hi, thanks for the question Phil. I don't know if we're necessarily calling it the bottom. We are in some areas seeing conditions begin to improve. Some of that is based on actions that we've taken. For instance, you know, we've taken initiatives with our credit policies and our question processes to stem any additional bad debt exposure that might be the result of things like - oh I don't know, the unemployment data that was released today certainly isn't a very rosy picture. Having said that though, we are beginning to see good, positive signs of improvement. Churn for example, that's something that we can sort of - we have a little bit of view into the future on churn and while we're certainly not going to give any specific guidance on churn, we are seeing improving trends on churn.

We are beginning to see retail footfall increase for instance. On the wireline side we're seeing sales bundles begin to fill up which says, you know, business owners and decision-makers out there are beginning to plan for expansion. Those are all very positive indicators on the wireless side in terms of postpaid gross ad development but we're certainly not calling it the bottom. We do think that time is right for us to go out there and begin to invest back in that space again which we've done. We've re-launched advertising Virginia East in a very progressive way for the holidays. We've refreshed our postpaid price plans and we've expanded the smartphone and data card, devices and lineup to take advantage of what we think are trends that are beginning to improve.

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Phil Cusick – Macquarie Groups

Okay. Right, second of all, given Leap commentary last night that they're not going to go to any more markets, I think that the pressure's probably off in Richmond at least from that side, you brought up FRAWG a few months ago really what I look at as an aggressive sort of preemption of Leap in those markets, do you think you want to slow it down a little bit here doing other things like taking some postpaid share or is this something you think is going to be a real profitability driver and a fairly equivalent margin for the rest of your business?

James S. Quarforth, the company's Chief Executive Officer

Yeah, I think that's a really great question. Obviously, we certainly heard rumblings in the market that, you know, we could back way off and in fact shut down there, you know, all of their planning and network build up of guy (inaudible) a while ago, so but as it relates to FRAWG, we're thrilled with the developments with FRAWG. We think it's taking advantage of a space in the market that others certainly have recognized in other markets, was natural in Leap, and allowed us to not just preempt Leap if they were going to come to the market, but also, preempt some pricing changes you've seen from other competitors like T-Mobile who's in the market.

So, we're pretty excited about continuing to drive FRAWG in a very aggressive way. The profitability characteristics of that are very good. They're as good if not better than our traditional prepaid FRAWG because the application cost is so much lower and ARPUs are very consistent with what we need to see to drive high margin. And in terms of the aspect on eating into the postpaid base, we're just not seeing that. Certainly, that's a risk even within your own portfolio when you launch this type of a plan, but we're still seeing a very specific customer segmentation that exists out there between all you can eat prepaid FRAWG cricket type customers and the more traditional postpaid customers. There's going to be a little bit of bleed-over at the fringes we think, but we're not in any kind of mass migration postpaid or prepaid type of movement based on FRAWG. So, we think it's a good product for us to have and it attacks a segment where we think there's big opportunities.

Phil Cusick – Macquarie Groups

Okay, and then last one and I'll get off. Cutting CapEx this quarter on the wireless side especially or going forward on the wireless side, first of all is that a result of, you know, we just think there are better uses for our cash right now or is there some change in the sort of dynamic of what had been I think the general network upgrade where a lot of that CapEx is going. And then second of all, is with the $40 million buyback in place, is that the right - a better use of your cash for example, right now and finally when can you back in the market buying the shares? Thanks.

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.

I'll take the first piece and then Jim Quarforth will take the second piece. In terms of the wireless CapEx spend, you're right in that, it's not so much of a cut in wireless CapEx as it is, we're coming out of a period where we've just had to spend a whole bunch a month, right, I mean we've completed the EV-DO network upgrade over the last couple of years which has been a very - a large, you know, CapEx kind of requirement for us. We've had a couple of big system upgrades that we needed to do to kind of get the business where we needed to be to take advantage of some future growth in service, you opportunities and some cost reduction opportunities. With those investments behind us, well, it looks on paper like we've cut CapEx significantly. Really, it's just kind of returning to kind of a more normalized run rate and because the cash we were able to generate, that just makes it an even better free cash flow story,

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but certainly nothing that I'd be worried about in terms of, you know, are they cutting their CapEx and therefore, limiting their ability to grow going forward.

What we've done is we've invested aggressively even during the recession where maybe many other companies have pulled all the way back. We stayed out there because of the strength of our cash flow situation to continue to invest, so that when we sort of exit this period we're well-positioned to grow. I'm going to give it over to Jim on the rest of your question.

James S. Quarforth, Chief Executive Officer – NTELOS Holdings Inc.
Yeah, thanks Bill. I think we've been very clear over the last couple of years on what our priorities are for cash and first and foremost, our first priority is to invest in the business, look for opportunities where we can grow the business. I think the Allegheny fiber acquisition was an excellent use of our cash. We've been clear about M&A in that we want find things that are in our operating territory or on the fringes, and we've been very patient looking for those things that are highly synergistic, so we feel very good about that. But our second priority we've communicated I think is to return capital back to shareholders and I think you can view both the buyback and the increase in dividend as two ways to accomplish that. You know, clearly at the current stock prices, it's at a very attractive stock. It's a stock that pays a dividend that's got some growth profile that has a very strong capital base, we just finished our refinancing and have no liquidity issues and so to buyback that stock with that kind of yield is pretty attractive.

And then finally, the dividend, and I think we've seen the dividend in the current yield based on yesterday's price is about 7.2%. We can buyback during the open window. We believe that window conservatively will reopen probably Tuesday for us and we'll be aggressively in there buying back our stock. We had a small amount of buyback in the third quarter recognizing that by the time the board authorized the approval of program and we got all the logistics in place, we really only had a few days until the window closed on the 15th of September so you will see us aggressively in the market buying that stock back.

Phil Cusick – Macquarie Groups
Thanks guys.

Operator
Thank you. Our next question comes from Robert Dezego from SunTrust Robertson Humphrey.

Robert Dezego – Suntrust Robertson Humphrey
Good afternoon gentlemen, sort of a couple of quick questions. The first is with EV-DO now, you know, pretty much across your markets and you've had some markets that have been out there for a while, can you talk a little about some of the trends that you see in these markets, kind of before and after the 3G roll out, maybe to give us a little bit of insight to what we can expect from the Richmond launch?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Sure. So, trends, I mean, what you've seen I think is sequentially better data ARPU numbers and that's just coming on the back of us continuing to sort of roll EV-DO kind of across our footprint over a period of time. A big part of what needs to happen for us to continue to take advantage of the data ARPU growth opportunity is clearly, you've got to have the network ready. We now have that everywhere including the last the last 50% of our pops which is our Eastern market as you recognized there.

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You've got relevant pricing. I think somebody asked a few moments ago if we liked our data pricing, we do, we think it's very relevant and very competitive. And you've got to have a suite of products and services that customers, you know, are going to be interested in.

A couple of things, we've continued to expand the number of smartphones and the choices in data cards, kind of across our portfolio. We expect that to continue as we look forward and those customers in Virginia East certainly are going to be able to take advantage of an expanded suite of products. Now, does that mean that the rate of growth in East is going to be higher than we've seen historically? You know, I'm not sure, but with things like the HTC Hero that runs on the Android operating system, we got a number of additional Android devices that we're going to launch into the portfolio in the coming months and into 2010 and that's a good news story for us and for our customers. It provides them greater choice, greater number of price points that we'll be able to touch on with those devices. And so we think at a minimum we should continue to track on that growth trajectory that we've been on that allow us to kind of close the gap, what I mean by the gap is sort of the differential you see with us and some of the other carriers out there, Verizon and Sprint and AT&T who have higher penetration in smartphones and data cards across their base.

Robert Dezego – Suntrust Robertson Humphrey
Okay, thanks. And then, on FRAWG, if I could just kind of followup a question there is, I mean, you gave guidance at 17,900 gross ads, as we turn into the quarter, was that building momentum? Is it something, you know, because the third quarter is generally weaker unlimited prepaid ad quarter, is this a product that you're expecting to see really kind of explode into the fourth quarter or are you seeing trends that would indicate that it could be a pretty strong quarter on the FRAWG side of the business? I guess, the bigger part is do think you can become more of a prepaid mix in the near term going out over the next 6-12 months in your business?

James S. Quarforth, Chief Executive Officer – NTELOS Holdings Inc.
Good question, thanks. So, in terms of third quarter FRAWG, you know, we launched in Q2, we sort of hit our stride in Q3 and you're right, historically, Q3 is not the biggest quarter for these types of plans, so while we are very happy with how we've accelerated through Q2 into Q3, we had a relatively flat Q3 in terms of month-on-month gross ads. Having said that, fourth quarter is typically and the first quarter are two very good quarters for prepay. So, yes, we've seen it - so I think yes it will potentially represent a larger mix of our customers, but remember, we're back in there with larger investments, very much directed at postpaid growth again as well. So, how all that thing nets out, you know, I'm not sure. What I can tell you is, FRAWG is trucking along at a very good clip for us. It's exceeding expectations not only in terms of new subscribers. It's exceeding expectations in terms of the revenue profile of those customers. Remember, 84%, 85% are taking the $40 and $50 a month plan. We model it at a much higher rate at the entry level. And last but not least, you know, we think the churn characteristics of these customers while it's too early to predict is certainly setting up to be at least as good as traditional prepaid customers.

Robert Dezego – Suntrust Robertson Humphrey
So you're saying that for the customers that you signed up very early, like you know, I know you haven't had a lot of months in it but the first two or three months are usually the highest churn for an unlimited carrier. So, are you saying that you're pretty satisfied with the churn that you've seen from these customers that you're getting customers that have signed up with you and they're still there I guess is the answer?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Yeah, we're happy with them. What you look at is – what you looked at is yeah, you look at those early customers, are they staying on and the level of usage, and both of those things are indicating positively for us.

Robert Dezego – Suntrust Robertson Humphrey
Okay, great. And this is the last question, can you give an update on the number of homes you're passing with fiber in the RLEC – and what you're kind of penetration is these days?

James S. Quarforth, Chief Executive Officer – NTELOS Holdings Inc.
Yeah, we're - I think the last report I saw we're about 8500 homes passed which is somewhere in the neighborhood of 35 to 40% of our residential lines. The penetration numbers if you look at Vintage neighborhoods, you know, this product has be out there about two years, we're about 32 plus percent penetration on those Vintage neighborhoods. We continue to very pleased with the product and the quality of the product, the speeds that we're getting. About 88% of our customers are taking a broadband in the bundle, and about 70 plus percent are taking the triple play, so we're very pleased about the continuing progress of that product. We're going to continue to use that as a key strategy over time to reposition the RLEC asset. I think one of the things that we feel extremely good about and we all seem to focus on access line reductions, you know, this is an asset that's actually, the RLEC is actually growing because we have started to reposition that to be a data platform as opposed to a voice platform and long term, that's really what you need to accomplish in order to be successful in the wireline business. So, whether it be in our RLEC footprint or in our competitor's footprint, it's all about data and we think we're well positioned to continue to grow that.

Robert Dezego – Suntrust Robertson Humphrey
All right, thank you very much guys.

Operator
Thank you. Our next question comes from Dave Coleman from RBC Capital Markets.

David Coleman – RBC Capital Markets
Thank you. One of your I guess rural wireless peers has talked about having difficulty generating foot traffic in their stores due to a less competitive handset line up. I was wondering if the weaker postpaid subscriber growth, could any of it could be attributed to your handset lineup versus trying to sell versus the iPhone? And then on the Allegheny fiber purchase, could you talk about the revenue in cash flow opportunity, not so much the revenue and cash flow that you're generating now, but what you believe the incremental opportunity would be as you take hold of that asset and any, you know, 2010 or I guess incremental CapEx associated with that? Thanks.

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Sure. Thanks Dave. In terms of the first question, retail foot traffic, handset lineup and sort of competitive advantage/disadvantage, now, we don't really think we're in any kind of significant disadvantage from a handset perspective, we - clearly the iPhone had an impact on everybody everywhere to some level or another, but iPhone notwithstanding, we're really not seeing any significant disadvantage. I mean, the drop in recap in postpaid gross ads has been a function I think of a couple of things, one of which has been where we've chosen to invest our advertising and acquisition dollars. You know, we've taken advantage we think of trends we've seen in market

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during this difficult economy and emphasized prepaid. We've launched the FRAWG product. We've invested heavily there and it's driven traffic into our stores and into our indirect points of distribution on the back of that. So, I think that's been primarily the big driver. Some of the other, you know, economic impacts, again, some of that's been intentional from us in terms of how we've invested our money. In fact, we got the best handset lineup we've had in the history of the company. We've got a number of smartphones and courier (ph) devices in the lineup of right now. We're expanding that in 2010 and through the buying consortium that we're a part of with other smaller operators, we have access to a greater number of both manufacturers and devices, within those manufacturers lineup than ever before. I think that Jim kind of handled the (cross talking)…

James S. Quarforth, Chief Executive Officer – NTELOS Holdings Inc.
Yeah, on Allegheny, obviously we've reported that 2009 pro forma revenue in EBITDA was 8 million and 4.5 million respectively. I think the real opportunity here if you want to draw some comparison as to our existing competitive segment if you looked at this core, our run rate EBITDA on an annualized basis is about $30 million a year and the network that we're acquiring is actually equal in size, maybe has – well, has similar characteristics. It may have some better characteristics when you think about the enterprise business and the four key verticals that we go after. We've talked about healthcare education, government and banking population is a little bit bigger.

We believe that the carrier market that we address, it's the same customers that we currently have today. So, we have strong relationships with these customers. Those customers are really delighted to be working with us on an expanded way. The enterprise customers take a little more time, meaning that you got to go in, you have to establish yourself and we've got a great resume, take for example, the hospital segment, UVA Medical and the Central Health and others really allow us to get our foot in the door and sell product to those customers. But it does take a bit of time on that segment because you have to sell the contract and you typically have to build fiber into that customer, but it may be a six or nine month process to address those customers unlike the carrier business where the relationships are there and for the most part, the fiber is connected to their switches or their pops.

From a CapEx perspective, you know, clearly to the extent that you had enterprise customers; you will be adding some CapEx. I think the way we would think about that is we have growth CapEx in our budget every year. We don't know specifically which customers will require that CapEx but we don't see any material increase in wireline CapEx as a result of this acquisition. Thank you.

David Coleman – RBC Capital Markets
That's very helpful. And just back to the handset question, I believe in your February or March you made the reference to getting Android handsets, is there any specific timing as to when you'd be able to get that and if you'd be able to have access to that for the holiday selling season?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Android in general?

David Coleman – RBC Capital Markets
Yeah, the HTC handsets or just Android handsets in general.

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Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Yeah, so we'll have the HTC hero in plenty of time for the holiday shopping season. In fact, we intend to launch that here in the coming weeks if not sooner. So, we're really excited about our first Android device. We've got no less than six Android devices that find their way into our portfolio over the course of 2010. So as I said earlier, we have access to more devices than we've ever had before and we think Android certainly is going to pick up a prominent position in our lineup.

David Coleman – RBC Capital Markets
Great, thanks a lot.

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Sure, thank you.

Operator
Thank you. Our next question is coming from Gregory Burns from Sidoti & Co.

Gregory Burns – Sidoti & Co.
Good morning guys.

James S. Quarforth, Chief Executive Officer – NTELOS Holdings Inc.
Hi Greg.

Gregory Burns – Sidoti & Co.
Getting back to the postpaid ads, outside of I guess the deteriorating credit quality we've seen in some of the customers, are you seeing any competitive pricing issues out there where customers are going to other providers, and also, can you give us a little more color on the revamping you made of the postpaid price plans? Is it just more services bundled together or are you having lower price points?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Sure Greg, happy to provide some color on that. So, in terms of the first part of your question, we haven't really seen any shifts one way or the other in terms of customer comp or inactivities. We did certainly recognize an opportunity for us at the right time to go in there and refresh some of our key postpaid rate plans at some key price points. And yes, there's always competitive moves and you need to remain competitive in your own pricing strategies. Having said that, you know, we've been careful to time those changes, right, and you can make a bunch of price changes that could potentially affect your base while not getting the increase in new customers based on the changes in those price plans. So, we've waited to make some of those changes here until just recently.

So, October 1st, we've launched a few new plans out there, refresh plans. We're reemphasizing our value position in the marketplace. So with our postpaid unlimited plans, we've expanded the services that are included in some of the higher end plans and we've also added a number of roaming minutes. So the idea here is for those customers who like the idea of unlimited, regional unlimited, on network unlimited which are by the way some of the best customers we have from an ARPU characteristic perspective and need access to some level of travel minutes or roaming minutes, we think the sweet spot for us is to cater to those customers. Carve out that niche. We don't think anybody can compete very effectively with unlimited within our region for postpaid customers and what we strive to do is provide enough roaming

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minutes based on your needs. So whether you sign up for the $39, $49, $59 or $69 price points, you get unlimited regional minutes and then an increasing suite of other unlimited services like unlimited texts, unlimited picture messaging, and in some cases, unlimited data access. And then, depending on the price point, there is a number of roaming minutes included that will be enough for those customers. I mean, how many of us really need unlimited roaming minutes? Maybe, some of you guys on the call do because you travel all of the time. But there are tons of customers out there, who, what they really want is unlimited long distance which they certainly get. Unlimited minutes would be great, but they certainly don't need unlimited roaming minutes. And so, we think we can leverage the unlimited message very aggressively out there in the marketplace, but still also compete for customers who need to travel outside of our footprint with the right number of roaming minutes.

So that's been a big part of the change and then for our national plans, and remember because of our reciprocal agreement with Sprint, we got favorable roaming rates that allow us to compete for customers who do truly want an anytime, anywhere plan similar to what Verizon and AT&T, and T-Mobile and Sprint sell. What we've done is we've combined our national plans with our MyWorld plans, our call-in circle plans. And so, we think that provides a nice value proposition for our customers who like the idea of calling circles and also need a national plan. So, the idea here is to leverage our on-network regional unlimited plans that we've always had and just sort of deemphasize, but then we've increased their value by adding a number of roaming minutes to those plans.

Gregory Burns – Sidoti & Co.
Okay, great. So, just more value for the plans, but you don't necessarily feel like you need to get more aggressive on pricing to jumpstart subscriber growth?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Obviously we've got some promotional activities planned for the quarter as we would in any fourth quarter on those unlimited plans. We've got a promotional offer during the quarter, it's for our $49 plans and higher, we're giving customers a $10 discount so that we do have some promotional, you know, plans in place. Certainly, to take advantage of the holiday shopping season, but in terms of getting more aggressive on our plan, we think we stack up very well at each of those price points. For instance, at $49, unlimited minutes can beat any of our competitors at $49. Nobody else is offering unlimited at $49 because they're trying to lump, you know, national plans at all those price points. We can differentiate between the two. We can target those customers who certainly would like to take advantage of unlimited and don't need it to be unlimited off network.

Gregory Burns – Sidoti & Co.
Okay and then lastly, I know you are seeing improving trends in regards to churn, but I guess barring, you know, full out economic rebound, is there anything that you guys are proactively doing now is to crack down on churn?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Sure, we're always actively managing churn. So, one thing that we think is really important to customers, as long as I've been in this business there has been four things that customers have always been worried about, right? One is price, one is coverage, one is service after the sell and the other is device. And we as an industry haven't really done a good job of taking those worries away for our customers. So, we're attacking each of those four kind of pain points for customers very aggressively.

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So your question on what are we do to manage churn, a big thing that we're doing beyond just improving our own internal kind of collection processes and so on and so forth in a way in which we treat customers after they've signed on for service with us is cutting the cord that exists between handset upgrade and contract date. Customers have always—they always want to access the latest craze in device and the worst thing we could possibly do as a company is to tell a customer, "Sorry you've only been on your contract for 12 months or 13 months, so you don't qualify for an upgrade." So we've enhanced a way in which we treat those customers that are looking for an upgrade prior to the end of their contract and we're seeing a noticeable impact on churn over very short periods of time in terms of the impact it's had after making those changes.

Gregory Burns – Sidoti & Co.
Okay. One last one, just how many markets have you rolled FRAWG out into?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
We got FRAWG launched in what we call our Virginia East Markets which is primarily Richmond, Norfolk and Hampton roads.

Gregory Burns – Sidoti & Co.
Okay, so…

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
It's covered by about 50% of our pops.

Gregory Burns – Sidoti & Co.
Okay. I thank you.

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Thank you.

Operator
Thank you. Once again, if you do have a question please press *1 on your telephone keypad at this time. Our next question is a follow up from Ric Prentiss from Raymond James.

Ric Prentiss – Raymond James
Just two quick housekeeping questions, in the quarter, wireless customer operations cost bounced back up to about 25 million, what's the net line item exactly and what would cause that to bounce around? Last year, it was kind of in the .3 million range, just looking to see as we look forward. Second question is a really good cost control on the wireline side the combined expense line of going below 13 million for the first time in a very long time, just two cost questions for you?

James S. Quarforth, Chief Executive Officer – NTELOS Holdings Inc.
The items including the cost from loss (ph) range from, we've got some advertising and marketing, probably one of the items that drove up was retention cost. I commented earlier about that being up during the quarter. Other significant cost categories, obviously, associated with customer care support, all the related salary wages et cetera. Those are now your commissions, sales commissions, obviously, that goes up due to the higher, as I've said earlier, 5400 gross ads being higher in the third quarter over the second quarter. Those are probably the principal items and also

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included are the uncollectible bad debt expense and that of course that went down in the third quarter compared to the second. Those are some of the large single line items that make that up, probably again, the one item that caused a variance there, as I said earlier, was the retention cost, being up some in the quarter.

In wireline, in terms of the wireline results again, they improved, I think as I've said earlier, mostly in the revenue stream. Certainly, from a call standpoint as well, some of that is you know, various cost initiatives that have been put in place, you know, if you may recall last year, in the second quarter of 2008, our wireline segment did a voluntary early retirement program coupled with a reduction in force and as a result, they've seen the benefit really, the full amount of that really in 2009 in terms of the FWB savings. The other area the wireline focuses on and it's had a lot of initiatives is really access expense. And that too is a percentage of revenues have improved again and as they have grown revenues and doing a very good job of keeping the cost under and really, you know, grooming the network to keep that cost down.

You may recall that Jim referred to the build to Ashburn. An important component of that bill was we're eliminating our - some leased facility cost. So, while a lot of these bills were opportunity in terms of new markets. That particular bill had both opportunity as well as elimination of leased facilities. So, those were the key items and I think it's important to note that we've been closed on some swaps and fiber during the quarter and have some more that we've reached agreement that we'll be swamping to you in the near future. Those two are cost initiatives in terms of access expense reductions as we swap some of this fiber.

Ric Prentiss – Raymond James
And just one final question now, the retention cost aspect, mentioning about handsets, not tied to contract dates, is it kind of a sliding scale, I mean, obviously you don't want people upgrading their phone every 1, 2 or four months so what should we think of? What percent of basis is upgrading in a quarter and others that subsidy kind of the play out as people want to come in much earlier than their contract date.

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Yeah, that's a really good question Ric, thanks. So, yeah, it is a sliding scale. So the worst thing you can do is tell a customer, no, right. Because whether they're up for a contract or not, you tell on them no when they are after contract they're definitely going to go shopping. So, having said that, what we could do is we can build a model that, you know many customers don't upgrade every year, right? So, if you get better at understanding how much you got invested on a per customer basis in terms of subsidy and so on and so forth, you can build a scale that says, you segment your customers based on rate plan that they're on, how much you've got invested in that customer, so when the phone rings and they request an upgrade, you can have a very compelling offer for that customer that doesn't necessarily break the bank.

I think, actually, what this is, is more of a loyalty focus than a retention focus. Retention is very, very expensive, right? And it's an investment of what I would call a depreciating asset because next year that customer calls back and wants an even better deal, where loyalty is more an investment and in an up appreciating asset, it becomes less expensive overtime. And we have a sliding scale that allows us to price the devices based on how we segment those customers based on the experience we have with those customers and that I think over time allows us to take expense out of the business, and we're starting to see an impact on that. It's got initial upward impact in terms of retention cost, but over time we think those costs come down.

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For instance, as we sort of look out, we see 6% fewer customers, kind of coming out of contract. So, on one hand, that's going to reduce the number of times our phone rings and customers are requesting upgrades. On the other hand, it gives us some room to offer customers who are interested in an upgrade during contract, to offer some kind of advantage to those customers. And finally, I would say, that these programs take some time to really sort of dead end with your customer base, right? But when they do, your proactive campaigns for retention can be reduced, right? But now, we need to tame those customers and mail those customers, and remind them all of the time when their contract is coming up for renewal, that they should be calling us.

When you wake up a lot of sleepers, what we call sleepers when you do that, right, customers maybe weren't thinking about upgrading their handset, or weren't thinking about churning and because we've mailed to them, now they are. These customers when customers begin to know that it was NTELOS they do not have to worry about, about an upgrade, they can call us anytime to at least access, you know, access to an upgrade at some level. Your proactive campaign and the risk of waking up those sleepers is diminished overtime. But again, it takes some time for these things to bed in.

Ric Prentiss – Raymond James
And what kind of percent upgrade did you seen in the quarter?

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
I don't know if I have it for the quarter. I can tell you on an annualized basis, we upgrade about 21%, 22% of our postpaid base which is significantly lower than what you've seen reported from some of our competitors. Now, I'll tell you that that probably you know you twigged off just a little bit because we have ramped up our efforts on our retention to (inaudible) for sure. Again, we think we've got some room to go. The only way we're going to give up to a higher percentage of it you see reported by some of our competitors is to modify our current programs, take some costs out of that program so you can upgrade more of your customers on an annual basis, right, but at a lower cost.

Ric Prentiss – Raymond James
Perfect. Looking forward to see you guys getting to the market Tuesday and buying some stocks.

Michael B. Moneymaker, Executive Vice President and Chief Financial Officer – NTELOS Holdings Inc.
Okay Ric. Thanks a lot.

Operator
Thank you. At this time, we have no further questions. I'd like to turn the conference back over to Mr. Wampler for any closing comments.

Wesley Wampler, Investor relations Director – NTELOS Holdings Inc.
Thank you. As a reminder, a replay of this call and an archive of the audio webcast will be available. Please refer to our investor relations website for details. Also, please feel free to contact us anytime with questions. Media should contact Mike Minnis at (540) 946-7290 and investors should contact me Wes Wampler at (540) 949-3447. Thank you again for joining us this morning and this concludes our call.