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Lumos Networks Corp. *(LMOS)*

Q1 2012 Earnings Call

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Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

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Donna A. Jaegers

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Lumos Networks Corp First Quarter 2011 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over Harold Covert. Please go ahead.

Harold L. Covert

Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.

Good morning. This is Hal Covert, Chief Financial Officer of Lumos Networks Corp. Welcome to Lumos Networks Corp's Q1, 2012 Earnings Conference Call. The topics for today's call include the remarks by Tim Biltz, our new CEO, review of our financial results for the first quarter of 2012, and selected financial guidance for the second quarter of 2012.

We will begin with comments from Tim, followed by my commentary, then we'll take questions. We asked that questions on this call come from current investors or analysts and that any media questions to be directed to Jim Nester, Lumos Networks' Director of Public Relations, after this call.

Before we continue, I'd like to point out that certain of the statements made on this conference call, 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 special note from the company regarding forward-looking statements in our first quarter 2012 earnings press release issued yesterday after the market closed. In an effort to provide useful information to investors, our comments today include non-GAAP financial measures. For details on these measures, including reconciliations to the most recent comparable GAAP measures, please refer to information posted on the company's Investor Relations website.

With that, I'll now turn the call over to Tim

Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

Thank you, Hal, and I am delighted to be with you all today and for the opportunity to lead Lumos Network during this exciting time of the company's evolution from a regional RLEC into a fiber-based network service provider of high speed data products and services. There are three topics I'd like to cover in my comments this morning.

First, I'd like to provide you with a brief overview of my background. Second, to tell you why I'm here and the opportunities and challenges I see facing the company and third what initiatives we are focused on as we make this exciting transition.

Before I start talking about my background and risk losing your attention, please feel free to write these three things down, growing our enterprise data segment, accelerating the revenue cycle and improving capital efficiency. You will hear me speak about these topics, a great deal, during the remainder of this year, as they will be my primary focus. We feel confident that with operational excellence in these three initiatives, we will make these quarterly earnings call, a true joy to have.

Back to my background, as the press release outlined, I have held leadership positions in the telecom industry over the last 20 years. Some of you are actually old enough to remember me from some of my past roles. My experience includes being a Chairman of the Board of iPCS, a regional Sprint affiliate, Chief Operating Officer of SpectraSite, the third largest tower company before our merger with American Tower in 2005 and Chief Operating Officer of Vanguard Cellular Systems, one of the largest independent cellular operators in the country before merging with AT&T in 1999.

Most recently I'd served on the Board of NTELOS since 2006, and will continue in that capacity. I have been fortunate to be on the vanguard of two great growth industries, the cellular industry through the 90's and the wireless tower states in the early and mid-2000. Both of these industries were reoccurring revenue models, capital-intensive businesses that competed aggressively for market share.

Throughout my career, I focused on creating shareholder value by building companies that consistently grew revenues and earnings on an annual basis with a focus on operational excellence. To do this, my primary emphasis has been to ensure the company's – that the company's marketing strategy is built on a strong customer value proposition that is attractive to a large base of customers and a meaningful and growing marketplace. I see the same market dynamics coming together once again in the fiber high speed bandwidth space, and that's why I'm here.

Today, Lumos Networks has a strong lineup of fiber-based products that are being sold to customers in our large and growing regional marketplace. Our fiber network brings businesses the latest technology that maximizes speed, reliability, and quality of service. For example, Metro Ethernet is a compelling technology in the principal networking method for businesses of all types and sizes.

Our fiber-based backbone maximizes speed, connectivity, and scalability, while providing the perfect transport for advanced services, including IP telephony, video streaming, medical imaging, and data transport. Hospitals, schools, universities, municipalities, financial institutions, government agencies are among the many satisfied customers who rely on our robust secure network that is monitored on a 7x24 basis.

This, our enterprise business, will be the future of Lumos Networks. We have a rapidly growing wholesale data business driven by the growing demand of our carrier partners. I am very excited about the opportunity that we have to provide fiber to the cells tower for major carriers in our addressed markets. This opportunity to build fiber to the sites will continue for the next few years, demand for data services and data transport significantly increases and new carrier technologies require fiber-based networks.

The explosion of data traffic on the wireless networks is well known to the marketplace, so are the bandwidth demands to roll out 4G. However, I believe the initial bandwidth will only scratching the surface of the true long-term demand on these sites. Therefore, once installed, the opportunity to participate and continued growth of bandwidth at those sites will continue for years to come. When we're in the tower space, we called them escalators. We're here in this space, the increases won't be contractual in my view, but rather demand in market driven dynamics.

We believe that our enterprise data and wholesale business will grow by double digits over the next several years. Our wholesale business includes the fiber to the tower, data products and fiber-based transport services that I just discussed.

We have a strong line of fiber-based products and services to grow our business and a large and growing regional marketplace. So, that will be our emphasis on growing our enterprise data, the industries around them.

And now I'd like to touch on several opportunities and challenges that we face moving forward.

First, the two product lines that I just highlighted are and will continue to grow rapidly. The number of customer projects related to those product lines will increase by more than 50% in 2012 when compared to 2011. The company has been gearing up to handle these increase in volumes since the beginning of the year and has been making progress. But there is still significant progress yet to be made. We believe that we have as much business as we can reasonably expect to install over the next several months and will be in a solid position to continue to grow at double-digit rates in the back half of 2012 and as we exit the year.

However, this quarter's performance would have shown much better trends had we executed more effectively on accelerating the revenue cycle or reducing the time between signing an order until revenue is being generated and services are being delivered to our customers. It is also well known that we have two product lines that are experiencing decline in revenue due to regulatory and technology changes.

These product lines, which include our RLEC business and our competitive voice product line, have been a large part of our total revenue base in the past. As these product lines continue to decline in revenue, we have and will continue to implement plans to ensure appropriate actions are taken to efficiently manage the decline in revenue and related expenses while maximizing cash flow.

The third major initiative we had and have for the year is improving capital efficiency. I want to highlight this focus on capital efficiency for our fiber-based business is capital intensity and that is not likely to change. The opportunities that we have in this regard is to leverage the density of our network and pursue customer opportunities that are on net or near net and then build and sell additional services above – to our current customers through new product launches. While doing this, we will reduce the amount of capital that we need to spend for each dollar of new revenue that we generate. The company has invested heavily to date to buy and build our network and these initiatives will focus us on leveraging those existing investments.

Finally and importantly, we continue to believe that we will be in a position to achieve year-over-year revenue growth as we exit 2012. Over the next several months, I look forward to meeting you and continuing to discuss the

outstanding opportunity that Lumos Networks has to grow our business with and through our important customers, our strong employee base, while creating meaningful shareholder value. And I'm also – get the chance to see if you remember our three initiatives.

Now, I'd like to turn the call back over to Hal to discuss our Q1 2012 financial results.

Harold L. Covert

Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.

Thanks, Tim. I'd like to cover two topics with you today, first, our unaudited financial results for Q1 2012, and then financial guidance for Q2 2012. Revenue for Q1 2012 was \$51.4 million compared to \$51.1 million for Q4 2011 and \$52.6 million for Q1 2011. Competitive revenue for Q1 2012 was \$38.9 million versus \$39.4 million in Q4 2011 and \$38.4 million in the same quarter last year.

The sequential decrease in revenue was caused by not wrapping up several installation projects scheduled for completion during the quarter. Although the revenue shortfall related to these delays was relatively small, competitive revenue would have shown sequential growth had the delays not occurred. We believe that we will be back on track with installation schedules as we enter the second half of 2012 aided by an increase in our installation staff.

RLEC revenue for Q1 2012 was \$12.5 million versus \$11.7 million in Q4 2011 and \$14.3 million in the same quarter last year. The sequential increase in RLEC revenue was due to access revenue of \$7.7 million in the quarter increasing by approximately by \$0.9 million when compared to Q4 2011. This increase was due to access revenue not dropping off as fast as planned in the quarter and a favorable comparison to Q4 2011 as a result of a \$0.7 million negative adjustment to access revenue recorded in Q4 2011.

Year-over-year the decrease in RLEC revenue primarily relates to access revenue and line losses. For the year of 2012, we believe that RLEC revenue will be \$4 million to \$5 million higher than initially projected due to access revenue declining at a slower rate than our early estimate and a potential positive impact from the recovery mechanisms included the FCC's access reform plan. Therefore, RLEC revenue will be in the range of \$45 million to \$46 million for 2012 versus our earlier estimate of \$41 million and compared to \$52.7 million in 2011.

On another note, in our 2011 10-K and Q1 2012 10-Q, we discussed a number of customer billing disputes primarily related to RLEC business. These disputes are in the process of being addressed via the legal system and direct negotiations with the disputing parties.

In Q1 2012, we begin to incur higher sequential professional fees related to these disputes and for matters related to the implementation of access reform. During the quarter, we incurred approximately \$0.5 million in this regard. This level of expense on a quarterly basis is likely to continue or potentially increase throughout the remaining quarters of 2012 as we attempt to resolve these disputes and continue to address access reform.

The expenses incurred in Q1 2012 and the projections just discussed do not include any potential settlement charges that may be incurred as a result of legal actions taken by outside parties or settlement negotiations conducted by the company.

Adjusted EBITDA for Q1 2012 was \$22.3 million compared to \$23 million for Q4 2011 and \$24.3 million for Q1 2011. The sequential and year-over-year decrease in adjusted EBITDA for the most part relates to the professional fees just discussed and increased expenses as a result of our separation from NTELOS on October 31, 2011.

To summarize, revenue and adjusted EBITDA for Q1 2012 were just above a high end of our guidance range for the quarter. Capital expenses for Q1 2012 were \$17.4 million compared to \$16.2 million in the same quarter last year. For 2012, our guidance range for capital expenditures remains unchanged at \$52 million to \$60 million. This compares to capital expenditures of \$61.5 million in 2011. In 2012, more than 80% of our planned capital expenditures will be success-based and tied to near-term revenue opportunities. Near term is defined as approximately six months after a capital project is approved and the installation process has begun.

This same data point for 2011 related to less than half of our actual capital expenditures for that year. In particular, in 2010 and 2011, we made significant investments to expand the footprint and capacity of our fiber-based network to accommodate revenue growth. As a result of these investments, we are now in a position to leverage our network and grow – and the growth rate of our fiber-based product lines.

Most of our success-based capital expenditures planned in 2012, directly relate to customer projects that are part of our fiber-based business. Going forward, we expect to continue to improve our capital efficiency ratios which include payback, return on investment, and adjusted EBITDA margin. We believe that by focusing on success based projects that are tied to our fiber-based product lines and leveraging the current and continuing density of our fiber-based network, we will be in a position to improve upon these ratios.

As these ratios improve, we believe that we will spend less capital for each dollar of new revenue generated. Please note that the level of capital expenditures that we plan and incur in any given year has a direct correlation with our targeted annual revenue growth. Adjusted EBITDA free cash flow for Q1 2012 was \$4.9 million. After paying down our credit line by approximately \$8.9 million, and covering other cash needs, our cash balance at the end of Q1 2012 was approximately zero versus \$10.5 million as of December 31, 2011.

At the end of Q1 2012, our credit line had an outstanding balance of \$6.1 million versus \$15 million as of December 31, 2011. Our ending cash balance as of March 31, 2012 is in line with our goal of using our credit facility to handle peak cash needs throughout each quarter of 2012. We have a credit line of \$60 million, which is part of our debt structure.

Now turning to financial guidance, for Q2 2012 our financial guidance is as follows: Revenue \$50 million to \$51 million, adjusted EBITDA \$21 million to \$22 million. This is essentially the same financial guidance for these data points that we provided for Q1 2012 during the earnings conference call on February 27, 2012. As indicated during that call, the primary reason for the flat profile is our plan to add new sales and install personnel in the first half of 2012 with expected revenue related to these additions starting in the second half of the year. This sequencing is in line with our normal sales and installed cycle and is in-sync with our expansion plans.

As we entered the second half of 2012, we believe that our revenue growth in our fiber-based product launch will begin to exceed the continuing revenue decline in our RLEC business and competitive voice product line. With this profile, the company will be in a position to achieve annual year-over-year growth starting on 2013. Our annual financial guidance for 2012 was provided on February 27, 2012 for revenue of \$200 million to \$205 million, and adjusted EBITDA of \$85 million to \$90 million remains unchanged.

Please review our business outlook schedule which is attached to our Q1 2012 financial results press release, which was issued yesterday after market close for a more complete summary of our most recent financial outlook for 2012.

In closing, our Board of Directors declared a dividend of \$0.14 per share on April 26, 2012 for shareholders of record as of June 14, 2012. The dividend will be paid on July 12, 2012. We look forward to guiding you with an update of our financial performance progress throughout 2012 during our quarterly earnings calls.

Now, we'll open the call for questions. Operator, we'll take the first question.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question comes from Ric Prentiss of Raymond James. Please go ahead.

Ric Prentiss

Analyst, Raymond James & Associates

Thanks. Good morning guys.

Q

Harold L. Covert

Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.

Morning.

A

Ric Prentiss

Analyst, Raymond James & Associates

Tim, good to have a familiar person back on board, enjoyed boarding the SpectraSite and iPCS, so welcome.

Q

Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

Thank you. Thank you. Hopefully I'm not too far out of shape.

A

Ric Prentiss

Analyst, Raymond James & Associates

First question I got for you is going to be on the second of your three priorities, the accelerate the revenue cycle.

Q

Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

Yeah.

A

Ric Prentiss

Analyst, Raymond James & Associates

Talk to us a little bit about how you guys are going to get it, tower industry would have been from application to leasing. Similar here, people give you a project, you got to install it and then get it turned on. Only seven fiber-to-the-cell sites turned on in the quarter, a little bit light obviously as Hal was talking to. What specifically are you guys putting in place to kind of turn that backlog into revenues?

Q

Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

Well, as you know, Ric, in the tower space, we dealt with the same issues, whether it was a full build to suit which had a longer lead time or engineering at co-location or enhancement to a tower to take a co-location. All of these orders on the fiber-based business – or generally all of them have some component of a project management and

A

capital expenditure. And quite frankly, I've only been here a week I think, today or yesterday. So, it's been a few days thinking – looking backward over the quarter getting the Q out and preparing for this call, but I have met with the team.

Our guys had been putting new program management, new work flow systems in place, but I can't speak for the whole board, but I think why they put me here, but one attribute that I did bring to the table is a great deal of experience of handling capital – a lot of capital projects and the program management of those – there is no question it is one of the critical items. We've got a nice backlog, the best I can tell in the few days I've been here, of customer orders. We've got a lot of people working hard. I think we just need some more program managers. We need some more systems, some more work flows, and scaling our contracting capabilities. And then these are good problems to have, but frustrating ones, but these are things that can be tackled.

Harold L. Covert

Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.

A

Yeah. Ric, just to add a couple of comments to what Jim has already said. First of all, as he indicated, we are working on work flows, which is a critical area for us. The other things that we're focused on, we have dedicated resources now, is to get outside permitting, which is one of the primary bottlenecks if you don't handle them effectively. So, a lot of activity is going around the workflows, contractors, and outside permitting.

Ric Prentiss

Analyst, Raymond James & Associates

Q

Okay. And then the second question when you think of your capital efficiency, but also the use of cash, the term A and the term B, the way you have it split up, next year, you start getting some more amortization, any thoughts of switching around A and B? Or would that be of any interest?

Harold L. Covert

Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.

A

Yeah, I think right now, our primary focus is on execution over the balance of this year. And I think once we demonstrate that we can grow our competitive business along track with our EBITDA targets, we have a lot of opportunities that we can pursue. So, right now, it's on execution over the balance of this year.

Ric Prentiss

Analyst, Raymond James & Associates

Q

Okay, thanks.

Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

A

Thanks, Ric.

Operator: [Operator Instructions] The next question comes from Donna Jaegers of D.A. Davidson. Please go ahead.

Donna A. Jaegers

Analyst, D. A. Davidson & Co.

Q

Hi, guys. Thanks for taking my question. And, Tim, I look forward to meeting you in the near future hopefully.

Timothy G. Biltz*President, Chief Executive Officer & Director, Lumos Networks Corp.*

A

Yeah, I do too.

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Q

On the carrier disputes that you mentioned and that are mentioned in the Q, I don't know if you can give us any more color on this, but one of them, the \$8.5 million is from carrier and then the \$6.5 million is from an ILEC, can you talk a little about what these are related to? It sounds like maybe the \$6.5 million one might be – may be VoIP traffic that the ILEC is trying to get full access charges on?

Timothy G. Biltz*President, Chief Executive Officer & Director, Lumos Networks Corp.*

A

Yeah.

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Q

Can you give us any more color on these?

Timothy G. Biltz*President, Chief Executive Officer & Director, Lumos Networks Corp.*

A

Yeah, Donna. If you look at the information in the Q and K, basically if you add up the numbers in there, we have roughly about \$20 million of potential exposures. We reserve right now for \$5 million of those exposures. We think we have adequate defense against the remaining exposure there and we're going to try to resolve those as we move throughout the year. The primary issue is on access, either coming in or – either from the RLEC side or the CLEC side, so that's what it relates to. It's around access revenue and charges one way or another.

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Q

And do any of those – I'm sorry, go ahead

Timothy G. Biltz*President, Chief Executive Officer & Director, Lumos Networks Corp.*

A

All right, Donna, look. I've only been here a couple of days and so I don't have and read all the legal briefings and gone through all the documents. What I can say from my just couple of days of observation is a lot of these – some of them appear to be saber rattling and some of them appear just to be emboldened now that access reform's here and just trying to become much more aggressive. Everything I've seen the company [ph] intelligence (25:59) that they think we're' reserved properly and have good defenses for the other claims.

Harold L. Covert*Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.*

A

Again, our goal is to really try to get these cleaned up through the year because as you could see in Q1 we started incurring legal expenses. We're going to look at these from a business standpoint and resolve them in the most efficient manner possible.

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Q

Okay. And then on fiber to the tower, with 148 towers out there, your guidance that means you're doubling off of that 148? So, basically 300 towers looking another 140, 150-ish in backlog?

Timothy G. Biltz*President, Chief Executive Officer & Director, Lumos Networks Corp.*

A

Yeah, that's the plan, yes.

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Q

Okay. And then can you talk a little about – obviously on the CLEC, you got unfortunately sort of a reinvigorated incumbent in the West Virginia area with Frontier using West Virginia as their poster child for how well they can turn around the Verizon properties they acquired. What are you doing on a competitive basis to make sure that you stay top of mind in your customer's minds?

Timothy G. Biltz*President, Chief Executive Officer & Director, Lumos Networks Corp.*

A

Well, let me just say that, the first comment I made to the team when I got here is that both figuratively and literally, I will be sitting in the right hand seat of some of our sales forces' cars. The focus of this company will be to become extremely competitive. Competing against big companies has never been a concern to me. I've done it my entire career and life. And I'll just say that we have a major focus on our sales, marketing efforts. Our marketing strategy, our product strategy, how much we know, how fast we can move and so big companies don't scare me.

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Q

Okay. And then one last question, on the dividend. Obviously, a number of your rural peers between Frontier, Alaska, and Otelco recently have all reduced their dividends. Obviously, you guys, just declared this dividend and just announced it with the spinoff as well. So, can you talk a little bit more about what your thinking was with the dividend especially because of the cash needs for CapEx?

Timothy G. Biltz*President, Chief Executive Officer & Director, Lumos Networks Corp.*

A

This is Tim. I can say the dividend is important to the company and we see no reasons under our current plan to change it. The only thing I'd like to see the dividend – happen to the dividend is the percentage go down as the share price and equity value goes up.

Harold L. Covert*Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.*

A

Just to add to that, Donna, I think we've stated in the past and we continue to state that we believe that we can fund all of our cash needs from cash flow generated from operations, including the current dividend rate if the board declares those dividends going forward.

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Q

Okay, great. Thanks, guys.

Operator: The next question is a follow-up from Ric Prentiss of Raymond James. Please go ahead.

Ric Prentiss

Analyst, Raymond James & Associates

Hey, actually, one just to clarify, Tim, what you said there the – you just said you'll let the yield go down just because your stock price goes up, is that what you're saying?

Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

Right. I'm not promising – look, I don't think people should be expecting a 10% dividend. This is a growth company.

Ric Prentiss

Analyst, Raymond James & Associates

Yeah. Second question is again limited days there I realize, given the places where you're going to be doing the fiber-to-the-cell build-outs, are there any weather concerns? Should this be like the tower business was always kind of like heavier, repair and maintenance in the summer months, so 2Q, 3Q would kind of spike up, construction would kind of spike up. What you know so far about the business is this is going to be kind of the heavier 2Q, 3Q, and then it falls off a little bit CapEx in 4Q and then starts up 1Q? Just trying to think of the seasonality of the CapEx.

Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

I don't it should be as seasonal as the tower business when you're doing because I don't – we're not pouring a lot of concrete, some. But I think what certainly West Virginia, Pennsylvania is more prone – so it may follow the characteristics of the tower industry, Ric, but I don't really have enough insight to tell you that yet, maybe second quarter I can give you a little better insight, but it shouldn't be as seasonal as the tower business, at least for new builds.

Ric Prentiss

Analyst, Raymond James & Associates

Okay. And then, Hal, you mentioned that the guidance for total revenue is unchanged but the guidance for the RLEC is now higher by \$4 million to \$5 million, just maybe a little more color on that as far as what had your previous guidance kind of assumed on access? And then obviously the implication is that CLEC is down. Is the CLEC annual guidance down because of these timing issues?

Harold L. Covert

Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.

Yeah, I mean I think in general, when we thought about the guidance we are increasing our projection for the RLEC as we stated. We also have these billing disputes. So, we focused on really trying to ensure that we could deliver the EBITDA we talked about. So, even with – let's say, if we do end up with slightly higher revenue, we'll probably end up with higher expenses related to these disputes and so forth and we still should end up within the guidance range. So, that's the way we thought about it. So, I think with where we're at right now, certainly we have a good position to be at the high end of our guidance for revenue with the change. And with that, we think we're well covered from a EBITDA standpoint within the guidance ranges that we provided.

Ric Prentiss*Analyst, Raymond James & Associates*

Okay, thanks.

Q

Operator: The next question comes from Donna Jaegers of D.A. Davidson. Please go ahead.**Donna A. Jaegers***Analyst, D. A. Davidson & Co.*

This will be the Ric and Donna tag team. On carrier grooming, can you – it sounded like from the fourth quarter call, that you guys expected more carrier grooming in the first quarter. It doesn't look like that happened given the numbers. Can you talk about what's going on there?

Q

Harold L. Covert*Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.*

Yeah for some reason that we're not 100% certain of right at this point, it slowed down in the first quarter. We believe that access revenue will continue to drive our carrier grooming and so forth. So, I think we got a good surprise in the first quarter. Hopefully, it will continue as we go forward. Again, that's why we did increase our guidance for RLEC revenue somewhat because of the current outlook.

A

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Okay. And then on building the sales force on the CLEC side, I know Mike Moneymaker had been intent on sort of trying to add more sales people, is that your intention as well? And what kind of sales people do you – what sort of talent are you looking for? Where are you going to get it from?

Q

Timothy G. Biltz*President, Chief Executive Officer & Director, Lumos Networks Corp.*

Well, I would say – we want to make sure that – as we said, we are leveraging our assets that we've built and put into service last year. So, we will be making sure that we have density of sales people, we will be looking for them from business to business sales, hopefully with telecom backgrounds and we probably will be adding to our sales force, but it will also be focusing what we're selling and how we're selling and educating who's selling. So, I don't know that – just an overnight magic answer. It will be a focus of this organization to enhance and build our sales force. That will require some new people but also change how we do business somewhat.

A

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Okay. And then one quick question for Hal. On the revolver, is there any restriction on that revolver as far as payment of dividends?

Q

Harold L. Covert*Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.*

We do have certain restrictions, but our current dividend level is not at issue in that regard.

A

Donna A. Jaegers*Analyst, D. A. Davidson & Co.*

Okay, all right. Great. Thanks, guys.

Q

Timothy G. Biltz

President, Chief Executive Officer & Director, Lumos Networks Corp.

A

Thank you very much.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Hal Covert for any closing remarks.

Harold L. Covert

Chief Financial Officer, Treasurer & Executive VP, Lumos Networks Corp.

As a reminder a replay of this call and an archive for the audio webcast will be available. Please refer to our Investor Relations website for details. Thank you again for joining us this morning. This concludes our call.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect your line.

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