UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ___________________.

Commission File Number: 000-35180

Lumos Networks Corp.
(Exact name of registrant as specified in its charter)

Delaware	**80-0697274**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

One Lumos Plaza, Waynesboro, Virginia 22980
(Address of principal executive offices) (Zip Code)

(540) 946-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X] Smaller reporting company [ ]
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

There were 21,443,282 shares of the registrant's common stock outstanding as of the close of business on July 30, 2012.

LUMOS NETWORKS CORP.
2012 QUARTERLY REPORT ON FORM 10-Q
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Balance Sheets
Lumos Networks Corp
(Unaudited)

(In thousands)	**June 30, 2012**	December 31, 2011
Assets		
Current Assets		
Cash	**$ 2,776**	$ 10,547
Restricted cash	**6,750**	7,554
Accounts receivable, net of allowance of $3,066 ($2,822 in 2011)	**22,221**	23,555
Other receivables	**3,084**	2,390
Prepaid expenses and other	**3,149**	2,278
	37,980	46,324
Securities and Investments	**301**	128
Property, Plant and Equipment		
Land and buildings	**21,972**	22,833
Network plant and equipment	**384,618**	365,101
Furniture, fixtures and other equipment	**13,786**	13,069
Total in service	**420,376**	401,003
Under construction	**27,904**	18,200
	448,280	419,203
Less accumulated depreciation	**131,766**	119,245
	316,514	299,958
Other Assets		
Goodwill	**100,297**	100,297
Other intangibles, less accumulated amortization of $67,308 ($61,742 in 2011)	**40,463**	45,696
Deferred charges and other assets	**5,494**	6,197
	146,254	152,190
	$ 501,049	$ 498,600

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Condensed Consolidated Balance Sheets
Lumos Networks Corp.
(Unaudited)

(In thousands, except par value per share amounts)	**June 30, 2012**	December 31, 2011
Liabilities and Equity		
Current Liabilities		
Current portion of long-term debt	**$ 5,452**	$ 2,679
Accounts payable	**10,412**	12,432
Dividends payable	**3,000**	2,980
Advance billings and customer deposits	**12,846**	12,623
Accrued compensation	**1,972**	2,832
Accrued operating taxes	**3,775**	2,624
Other accrued liabilities	**4,762**	3,262
	42,219	39,432
Long-term Liabilities		
Long-term debt	**313,380**	323,897
Retirement benefits	**34,714**	35,728
Deferred income taxes	**47,589**	41,204
Other long-term liabilities	**5,524**	5,028
Income tax payable	**531**	484
	401,738	406,341
Commitments and Contingencies		
Equity		
Preferred stock, par value $.01 per share, authorized 100 shares, none issued	**-**	-
Common stock, par value $.01 per share, authorized 55,000 shares; 21,559 shares issued and 21,443 shares outstanding (21,235 shares issued and 21,170 shares outstanding in 2011)	**216**	212
Additional paid in capital	**128,082**	126,427
Treasury stock, 116 shares at cost (65 shares in 2011)	**-**	-
Accumulated deficit	**(55,319)**	(57,416)
Accumulated other comprehensive loss	**(16,296)**	(16,840)
Total Lumos Networks Corp. Stockholders' Equity	**56,683**	52,383
Noncontrolling Interests	**409**	444
	57,092	52,827
	$ 501,049	$ 498,600

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Operations
Lumos Networks Corp.
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Operating Revenues	**$ 50,803**	$ 52,062	**$ 102,215**	$ 104,706
Operating Expenses				
Cost of sales and services (exclusive of items shown separately below)	**20,362**	19,357	**39,739**	39,422
Customer operations	**5,431**	4,957	**10,561**	10,117
Corporate operations	**7,161**	3,436	**13,231**	7,320
Depreciation and amortization	**8,803**	10,997	**18,023**	21,999
Accretion of asset retirement obligations	**31**	28	**61**	56
	41,788	38,775	**81,615**	78,914
Operating Income	**9,015**	13,287	**20,600**	25,792
Other Income (Expenses)				
Interest expense	**(2,929)**	(2,563)	**(5,916)**	(6,281)
Loss on interest rate derivatives	**(438)**	-	**(292)**	-
Other income (expense), net	**23**	(7)	**31**	7
	(3,344)	(2,570)	**(6,177)**	(6,274)
	5,671	10,717	**14,423**	19,518
Income Tax Expense	**2,953**	4,157	**6,396**	7,895
Net Income	**2,718**	6,560	**8,027**	11,623
Net (Income) Loss Attributable to Noncontrolling Interests	**57**	(37)	**35**	(85)
Net Income Attributable to Lumos Networks Corp.	**$ 2,775**	$ 6,523	**$ 8,062**	$ 11,538
Basic and Diluted Earnings Per Common Share Attributable to Lumos Networks Corp. Stockholders:				
Income per share-basic	**$ 0.13**		**$ 0.39**	
Income per share-diluted	**$ 0.13**		**$ 0.38**	
Weighted average shares outstanding - basic	**20,942**		**20,896**	
Weighted average shares outstanding - diluted	**21,398**		**21,332**	
Cash Dividends Declared per Share - Common Stock	**$ 0.14**		**$ 0.28**	

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income
Lumos Networks Corp.
(Unaudited)

(In thousands)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net income	**$ 2,718**	$ 6,560	**$ 8,027**	$ 11,623
Other comprehensive income, net of tax:				
Reclassification adjustment for amortization of unrealized loss from defined benefit plans included in net income, net of $173 and $346 of deferred tax asset for the three and six months ended June 30, 2012	**445**	-	**544**	-
Other comprehensive income, net of tax	**445**	-	**544**	-
Total comprehensive income	**3,163**	6,560	**8,571**	11,623
Plus (less): comprehensive loss (income) attributable to noncontrolling interests	**57**	(37)	**35**	(85)
Comprehensive income attributable to Lumos Networks Corp.	**$ 3,220**	$ 6,523	**$ 8,606**	$ 11,538

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows
Lumos Networks Corp.
(Unaudited)

(In thousands)	Six Months Ended June 30, 2012	2011
Cash flows from operating activities		
Net income	**$ 8,027**	$ 11,623
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**12,457**	13,900
Amortization	**5,566**	8,099
Accretion of asset retirement obligations	**61**	56
Deferred income taxes	**6,086**	7,420
Loss on interest rate swap derivatives	**292**	-
Equity-based compensation expense	**1,788**	1,362
Amortization of loan origination costs	**403**	-
Retirement benefits and other	**1,903**	(1,013)
Changes in assets and liabilities from operations:		
Decrease in accounts receivable	**1,260**	7
Increase in other current assets	**(1,557)**	(180)
Changes in income taxes	**28**	(26)
Decrease in accounts payable	**(1,301)**	(3,774)
Increase in other current liabilities	**1,982**	1,012
Retirement benefit contributions and distributions	**(2,415)**	-
Net cash provided by operating activities	**34,580**	38,486
Cash flows from investing activities		
Purchases of property, plant and equipment	**(28,988)**	(33,801)
Return of investment in restricted cash	**804**	-
Cash reimbursement received from government grant	**804**	-
Purchase of tradename asset	**(333)**	-
Other	**(873)**	(768)
Net cash used in investing activities	**(28,586)**	(34,569)
Cash flows from financing activities		
Borrowings from NTELOS Inc. net	**-**	4,318
Repayments on senior secured term loans	**(1,000)**	-
Repayments on revolving credit facility, net	**(6,500)**	-
Cash dividends paid on common stock	**(5,945)**	-
Dividends paid to NTELOS Inc.	**-**	(7,585)
Payments under capital lease obligations	**(404)**	(670)
Other	**84**	-
Net cash used in financing activities	**(13,765)**	(3,937)
Decrease in cash	**(7,771)**	(20)
Cash:		
Beginning of period	**10,547**	489
End of period	**$ 2,776**	$ 469

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Notes to Unaudited Condensed Consolidated Financial Statements
Lumos Networks Corp.

Note 1. Organization

On October 14, 2011, NTELOS Holdings Corp. ("NTELOS") announced a distribution date of October 31, 2011 for the spin-off of all of the issued and outstanding shares of common stock of Lumos Networks, which operated NTELOS's wireline operations (the "Business Separation"). Prior to and in connection with the Business Separation, following the market close on October 31, 2011, NTELOS effectuated a 1-for-2 reverse stock split (the "Reverse Stock Split") of its shares of Common Stock, $0.01 par value (the "Common Stock"). The spin-off of Lumos Networks was in the form of a tax-free stock distribution to NTELOS stockholders of record as of the close of business on October 24, 2011, the record date (the "Distribution"). On October 31, 2011, NTELOS distributed one share of Lumos Networks common stock for every share of NTELOS's common stock outstanding, on a post-Reverse Stock Split basis.

Lumos Networks is a fiber-based network service provider in the Mid-Atlantic region. The Company serves carrier, business and residential customers over a dense fiber network offering data, IP services and voice services utilizing an on-network service strategy. Following a contiguous regional expansion strategy, the Company expanded from its rural local exchange carrier ("RLEC") service territory in rural western Virginia to its current six state regional presence including western Virginia, West Virginia, and portions of Pennsylvania, Maryland, Ohio and Kentucky. The Company's growth into a regional service provider has been achieved by pursuing organic growth opportunities and complementary acquisitions.

Note 2. Relationship with NTELOS

In connection with the Business Separation, the Company entered into a series of agreements with NTELOS which are intended to govern the relationship between the Company and NTELOS going forward. These agreements include commercial service agreements, a separation and distribution agreement, an employee matters agreement, a tax matters agreement, intellectual property agreements and a transition services agreement. During the three and six months ended June 30, 2012, the net expense to the Company related to the transition services agreement was $0.5 million and $0.9 million, respectively.

Note 3. Significant Accounting Policies

In the Company's opinion, the accompanying unaudited condensed consolidated financial statements as of and for the three and six months ended June 30, 2012 and for the three and six months ended June 30, 2011 contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2012, and the results of operations and cash flows for all periods presented on the respective financial statements included herein. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. The accompanying condensed consolidated balance sheet as of December 31, 2011 has been derived from the audited financial statements included in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Additionally, the financial information for 2011 included herein may not necessarily reflect the Company's financial position, results of operations and cash flows in the future or what the Company's financial position, results of operations and cash flows would have been had Lumos Networks been an independent, publicly traded company prior to the Business Separation on October 31, 2011. Lumos Networks' management believes that all historical costs of operations have been reflected in the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, Lumos Networks Operating Company, a wholly-owned subsidiary of the Company, and all of Lumos Networks Operating Company's wholly-owned subsidiaries and those limited liability corporations where Lumos Networks Operating Company or certain of its subsidiaries, as managing member, exercises control. All significant intercompany accounts and transactions have been eliminated.

For all periods prior to the Business Separation on October 31, 2011, the consolidated financial statements principally represent the financial results reflected by NTELOS constituting the companies comprising the Competitive and RLEC wireline segments. These financial results as of and for the periods prior to the date of the Business Separation have been adjusted to reflect certain corporate expenses which were not previously allocated to the segments. These allocations primarily represent corporate support functions, including but not limited to accounting, human resources, information technology and executive management, as well as corporate legal and professional fees, including audit fees, and equity-based compensation expense related to equity-based awards granted to employees in corporate support functions. These additional expenses for the three and six months ended June 30, 2011 were $0.7 million and $1.5 million, respectively. The Company believes that these costs would not have been materially different had they been calculated on a standalone basis. However, such expenses may not be indicative of the actual level of expense and exclude certain expenses that would have been incurred by the Company if it had operated as an independent, publicly traded company or of the costs incurred in 2012.

Cash and Cash Equivalents

The Company considers its investment in all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions with a maturity date of not greater than 90 days from acquisition and all are investments held by commercial banks. At times, such investments may be in excess of the FDIC insurance limit. The commercial bank that holds significantly all of the Company's cash at June 30, 2012 has maintained a high rating by Standard & Poor's and Moody's. At June 30, 2012 and December 31, 2011, the Company did not have any cash equivalents. As of June 30, 2012, all of the Company's cash was held in non-interest bearing deposit accounts which are fully insured by the FDIC. Total interest income related to cash was negligible for the three and six months ended June 30, 2012 and 2011.

Restricted Cash

During 2010, the Company received a federal broadband stimulus award to bring broadband services and infrastructure to Alleghany County, Virginia. The total project is $16.1 million, of which 50% (approximately $8 million) is being funded by a grant from the federal government. The project is expected to be completed in or before 2015. The Company was required to deposit 100% of its portion for the grant (approximately $8 million) into a pledged account in advance of any reimbursements, which can be drawn down ratably following the grant reimbursement approvals which are contingent on adherence to the program requirements. The Company received $0.5 million and $0.8 million in the three and six months ended June 30, 2012, respectively, for the reimbursable portion of the qualified recoverable expenditures, and the Company has a $3.0 million receivable for the reimbursable portion of the qualified recoverable expenditures as of June 30, 2012. At June 30, 2012, the Company reduced its pledged account to $6.8 million. This escrow account is a non-interest bearing, fully insured account with its primary commercial bank.

Trade Accounts Receivable

The Company sells its services to residential and commercial end-users and to other communication carriers primarily in Virginia, West Virginia and in parts of Maryland, Pennsylvania, Ohio and Kentucky. The Company has credit and collection policies to maximize collection of trade receivables and requires deposits on certain sales. The Company maintains an allowance for doubtful accounts based on historical results, current and expected trends and changes in credit policies. Management believes the allowance adequately covers all anticipated losses with respect to trade receivables. Actual credit losses could differ from such estimates. The Company includes bad debt expense in customer operations expense in the condensed consolidated statements of operations. Bad debt expense for the three-month periods ended June 30, 2012 and 2011 was $0.0 million and $0.3 million, respectively, and bad debt expense for the six months ended June 30, 2012 and 2011 was $0.1 million and $0.5 million, respectively. The Company's allowance for doubtful accounts was $3.1 million and $2.8 million as of June 30, 2012 and December 31, 2011, respectively.

Property, Plant and Equipment and Other Long-Lived Assets

Long-lived assets include property, plant and equipment, long-term deferred charges, goodwill and intangible assets to be held and used. Long-lived assets, excluding goodwill and intangible assets with indefinite useful lives, are recorded at cost and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount should be evaluated pursuant to the subsequent measurement guidance described in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-10-35. Impairment is determined by comparing the carrying value of these long-lived assets to management's best estimate of future undiscounted cash flows expected to result from the use of the assets. If the carrying value exceeds the estimated undiscounted cash flows, the excess of the asset's carrying value over the estimated fair value is recorded as an impairment charge. The Company believes that no impairment indicators exist as of June 30, 2012 that would require it to perform impairment testing.

Goodwill is an indefinite-lived intangible asset. Indefinite-lived intangible assets are not subject to amortization but are instead tested for impairment annually or more frequently if an event indicates that the asset might be impaired. The Company's policy is to assess the recoverability of indefinite-lived assets annually on October 1 and whenever adverse events or changes in circumstances indicate that impairment may have occurred. The Company uses a two-step process to test for goodwill impairment. Step one requires a determination of the fair value of each of the reporting units and, to the extent that this fair value of the reporting unit exceeds its carrying value (including goodwill), the step two calculation of implied fair value of goodwill is not required and no impairment loss is recognized. In testing for goodwill impairment, the Company utilizes a combination of a discounted cash flow model and an analysis which allocates enterprise value to the reporting units. The Company believes there have been no events or circumstances to cause management to evaluate the carrying amount of its goodwill during the three or six months ended June 30, 2012.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets, which the Company reviews and updates based on historical experiences and future expectations.

Intangibles with a finite life are classified as other intangibles on the consolidated balance sheets. At June 30, 2012 and December 31, 2011, other intangibles were comprised of the following:

		June 30, 2012		December 31, 2011	
(Dollars in thousands)	Estimated Life	**Gross Amount**	**Accumulated Amortization**	Gross Amount	Accumulated Amortization
Customer relationships	3 to 15 yrs	**$ 103,153**	**$ (64,509)**	$ 103,153	$ (59,286)
Trademarks	0.5 to 15 yrs	**3,518**	**(1,963)**	3,186	(1,884)
Non-compete agreement	2 yrs	**1,100**	**(836)**	1,100	(572)
Total		**$ 107,771**	**$ (67,308)**	$ 107,439	$ (61,742)

The Company amortizes its finite-lived intangible assets using the straight-line method unless it determines that another systematic method is more appropriate. The FiberNet customer relationship intangible asset is being amortized using an accelerated amortization method based on the pattern of estimated earnings from these assets.

During the six months ended June 30, 2012, the Company capitalized costs of $0.3 million related to the development and registration of the "Lumos Networks" tradename. The term of the registration is ten years and it may be renewed for additional ten-year terms. The Company determined that the Lumos Networks tradename should be categorized as an indefinite-lived intangible asset. This asset is contained within the line item "Other intangibles, less accumulated amortization" on the condensed consolidated balance sheet.

The estimated life of amortizable intangible assets is determined from the unique factors specific to each asset and the Company reviews and updates estimated lives based on current events and future expectations. The Company capitalizes costs incurred to renew or extend the term of a recognized intangible asset and amortizes such costs over the remaining life of the asset. No such costs were incurred during the three or six months ended June 30, 2012 or 2011. Amortization expense for the three months ended June 30, 2012 and 2011 was $2.8 million and $4.0 million, respectively, and amortization expense for the six months ended June 30, 2012 and 2011 was $5.6 million and $8.1 million, respectively.

Amortization expense for the remainder of 2012 and for the next five years is expected to be as follows:

(In thousands)	Customer Relationships	Trademarks	Non-Compete	Total
Remainder of 2012	$ 5,225	$ 79	$ 264	$ 5,568
2013	9,665	159	-	9,824
2014	9,028	159	-	9,187
2015	4,648	159	-	4,807
2016	2,416	159	-	2,575
2017	$ 2,097	$ 159	$ -	$ 2,256

Pension Benefits and Retirement Benefits Other Than Pensions

Prior to the Business Separation, Lumos Networks participated in several qualified and nonqualified pension plans and other postretirement benefit plans ("OPEBs") sponsored by NTELOS Inc. On the effective date of the Business Separation, Lumos Networks assumed its portion of the assets and liabilities for these pension benefits and OPEBs. Lumos Networks sponsors a non-contributory defined benefit pension plan ("Pension Plan") covering all employees who meet eligibility requirements and were employed by NTELOS prior to October 1, 2003. The Pension Plan was closed to NTELOS employees hired on or after October 1, 2003. Pension benefits vest after five years of plan service and are based on years of service and an average of the five highest consecutive years of compensation subject to certain reductions if the employee retires before reaching age 65 and elects to receive the benefit prior to age 65.

For the three and six months ended June 30, 2012, the components of the Company's net periodic benefit cost for its Defined Benefit Pension Plan were as follows:

(In thousands)	**Three Months Ended June 30, 2012**	**Six Months Ended June 30, 2012**
Service cost	**$ 511**	**$ 1,021**
Interest cost	**674**	**1,349**
Expected return on plan assets	**(879)**	**(1,759)**
Amortization of loss	**370**	**741**
Net periodic benefit cost	**$ 676**	**$ 1,352**

Pension plan assets were valued at $48.6 million at June 30, 2012, which included funding contributions in the first quarter of 2012 of $2.0 million, and $45.1 million at December 31, 2011.

For the three and six months ended June 30, 2012, the components of the Company's net periodic benefit cost for its Other Postretirement Benefit Plans were as follows:

(In thousands)	**Three Months Ended June 30, 2012**	**Six Months Ended June 30, 2012**
Service cost	**$ 20**	**$ 39**
Interest cost	**131**	**263**
Net periodic benefit cost	**$ 151**	**$ 302**

The Company received an allocated portion of the total benefits expenses for the plans discussed above from NTELOS Inc. during the periods prior to the Business Separation. The total allocated expense for the three and six months ended June 30, 2011 for these plans was $0.6 million and $1.1 million, respectively. The Company did not make any specific contributions to fund these plans during the three or six months ended June 30, 2011.

The total expense recognized for the Company's nonqualified pension plans for the three months ended June 30, 2012 was $0.2 million, and $0.1 million of this expense relates to the amortization of actuarial loss. The total expense recognized for the Company's nonqualified pension plans for the six months ended June 30, 2012 was $0.4

million, and $0.2 million of this expense relates to the amortization of actuarial loss.

Equity-based Compensation

The Company accounts for share-based employee compensation plans under FASB ASC 718, *Stock Compensation*. Equity-based compensation expense from share-based equity awards is recorded with an offsetting increase to additional paid-in capital on the consolidated balance sheet. For equity awards with only service conditions, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award.

Equity awards prior to the Business Separation were granted in NTELOS stock instruments and the related expense was allocated to the Company. Unvested NTELOS stock instruments were converted to commensurate Lumos Networks stock instruments in connection with and at the time of the Business Separation. The fair value of the common stock options granted during the three and six months ended June 30, 2012 and 2011 was estimated at the respective measurement date using the Black-Scholes option-pricing model with assumptions related to risk-free interest rate, expected volatility, dividend yield and expected terms.

Total equity-based compensation expense related to all of the share-based awards for the three and six months ended June 30, 2012 and 2011 (Note 9) and the Company's 401(k) matching contributions was allocated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2012**	2011	**2012**	2011
Cost of sales and services	**$ 249**	$ 102	**$ 320**	$ 196
Customer operations	**219**	124	**332**	236
Corporate operations	**309**	448	**1,136**	930
Equity-based compensation expense	**$ 777**	$ 674	**$ 1,788**	$ 1,362

Future charges for equity-based compensation related to instruments outstanding at June 30, 2012 for the remainder of 2012 and for the years 2013 through 2017 are estimated to be $1.5 million, $2.0 million, $1.1 million, $0.6 million, $0.1 million and less than $0.1 million, respectively.

Recent Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. This ASU increases the prominence of other comprehensive income in financial statements. Under this ASU, an entity has the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The ASU eliminates the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. An entity should apply this ASU retrospectively. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has complied with the requirements of this pronouncement by providing a condensed consolidated statement of comprehensive income, which follows the condensed consolidated statement of operations in this quarterly report on Form 10-Q.

Note 4. Disclosures About Segments of an Enterprise and Related Information

The Company manages its business with separate products and services in two segments: Competitive and Rural Local Exchange Carrier ("RLEC").

Revenues from Verizon accounted for approximately 10% and 9% of the Company's total revenue for the three months ended June 30, 2012 and 2011, respectively, and accounted for approximately 10% and 9% of the Company's total revenue for the six months ended June 30, 2012 and 2011, respectively. Revenue from Verizon was derived from RLEC and Competitive segments' network access.

Summarized financial information concerning the Company's reportable segments is shown in the following table.

(In thousands)	Competitive	RLEC	Eliminations	Total
For the three months ended June 30, 2012				
Operating Revenues	$ 38,968	$ 11,835	$ -	$ 50,803
Intersegment Revenues(1)	264	1,226	(1,490)	-
Depreciation & Amortization	6,166	2,637	-	8,803
Accretion of asset retirement obligations	24	7	-	31
Amortization of actuarial losses	333	112	-	445
Equity-based compensation charges	574	203	-	777
Employee separation charges(2)	1,526	509	-	2,035
Operating Income	$ 5,455	$ 3,560	$ -	$ 9,015
As of and for the six months ended June 30, 2012				
Operating revenues	$ 77,884	$ 24,331	$ -	$ 102,215
Intersegment revenues(1)	479	2,418	(2,897)	-
Depreciation and amortization	12,417	5,606	-	18,023
Accretion of asset retirement obligations	48	13	-	61
Amortization of actuarial losses	667	223	-	890
Equity-based compensation expense	1,322	466	-	1,788
Employee separation charges(2)	1,526	509	-	2,035
Operating income	12,646	7,954	-	20,600
Capital expenditures	25,095	3,893	-	28,988
Goodwill	100,297	-	-	100,297
Total assets	$ 383,143	$ 117,906	$ -	$ 501,049

(In thousands)	Competitive		RLEC		Eliminations		Total	
For the three months ended June 30, 2011								
Operating revenues	$	38,473	$	13,589	$	-	$	52,062
Intersegment revenues[(1)]		342		1,067		(1,409)		-
Depreciation and amortization		7,496		3,501		-		10,997
Accretion of asset retirement obligations		23		5		-		28
Equity-based compensation expense		411		263		-		674
Operating income		7,502		5,785		-		13,287
For the six months ended June 30, 2011								
Operating revenues	$	76,862	$	27,844	$	-	$	104,706
Intersegment revenues[(1)]		682		2,122		(2,804)		-
Depreciation and amortization		14,940		7,059		-		21,999
Accretion of asset retirement obligations		45		11		-		56
Equity-based compensation expense		816		546		-		1,362
Operating income		14,067		11,725		-		25,792
Capital expenditures	$	27,624	$	6,177	$	-	$	33,801

(1) Intersegment revenues consist primarily of telecommunications services such as local exchange services, inter-city and local transport voice and data services, and leasing of various network elements. Intersegment revenues are primarily recorded at tariff and prevailing market rates.

(2) In the second quarter of 2012, the Company recorded charges of $2.0 million related to the recognition of employee separation benefits which were provided for in the separation agreement of an executive officer who left the Company in April 2012. These charges are in included in corporate operations expense on the condensed consolidated statement of operations.

Note 5. Long-Term Debt

As of June 30, 2012 and December 31, 2011, the Company's outstanding long-term debt consisted of the following:

(In thousands)	**June 30, 2012**		December 31, 2011	
Credit facility	**$**	**317,000**	$	324,500
Capital lease obligations		**1,832**		2,076
		318,832		326,576
Less: current portion of long term debt		**5,452**		2,679
	$	**313,380**	$	323,897

Credit Facility

On September 8, 2011, Lumos Networks Operating Company, a wholly-owned subsidiary of Lumos Networks, entered into a $370 million post-Business Separation credit facility (the "Credit Facility"). Funding under the Credit Facility occurred upon the effective date of the Business Separation, which was October 31, 2011. The Credit Facility consists of a $60 million senior secured five year revolving credit facility (the "Revolver") of which $10 million is a swingline facility; a $110 million senior secured five year amortizing term loan (the "Term Loan A"); and a $200 million senior secured six year amortizing term loan (the "Term Loan B"). As of June 30, 2012, there was $8.5 million outstanding under the Revolver. The proceeds of the Credit Facility were made available to Lumos Networks Operating Company on the effective date of the Business Separation and were used to fund a working capital cash reserve at Lumos Networks and to pay $315 million to NTELOS Inc. (i) to settle with cash the intercompany debt owed to NTELOS as of the Business Separation date ($177.1 million) and, with the balance, (ii) to fund a mandatory repayment on NTELOS's credit facility resulting from the Business Separation. Pricing of the Lumos Networks Operating Company credit facility is LIBOR plus 3.25% for the Revolver and the Term Loan A and LIBOR plus 3.50% for the Term Loan B. The Credit Facility does not require a minimum LIBOR rate. The Credit Facility is secured by a first priority pledge of substantially all property and assets of Lumos Networks Operating Company and all material subsidiaries, as guarantors, excluding the RLECs.

The Credit Facility includes various restrictions and conditions, including covenants relating to leverage and interest coverage ratio requirements. At June 30, 2012, Lumos Networks' leverage ratio (as defined under the credit agreement) was 3.50:1.00 and its interest coverage ratio was 8.23:1.00. The Credit Facility requires that the leverage ratio not exceed 4.00:1.00 through September 30, 2014 (and 3.75:1.00 thereafter) and the interest coverage ratio not be less than 3.25:1:00. The Credit Facility also sets a maximum distributable amount that limits restricted payments, including the payment of dividends. The initial distributable amount was set at $5 million at the date of funding and, on January 1, 2012, the distributable amount was increased by $12 million. For each year thereafter the amount will be increased by the greater of $12 million or 75% of free cash flow (as defined under the credit agreement). The distributable amount is reduced by any restricted payments including dividend payments. The distributable amount as of June 30, 2012 was $11.1 million.

Under the terms of the Credit Facility, the Company was required to enter into an interest rate hedge for three years on 50% of the term loans outstanding early in the first quarter of 2012. In February 2012, the Company entered into a 3% interest rate cap through December 31, 2012 and a delayed interest rate swap agreement from December 31, 2012 through December 31, 2015 whereby the Company swaps three-month LIBOR with a fixed rate of approximately 0.8%.

In connection with entering into the Credit Facility, the Company deferred $4.9 million in debt issuance costs which are being amortized to interest expense over the life of the debt using the effective interest method. Amortization of these costs for the three and six months ended June 30, 2012 was $0.2 million and $0.4 million, respectively.

The Company receives patronage credits from CoBank and certain other of the Farm Credit System lending institutions (collectively referred to as "patronage banks") which are not reflected in the interest rates above. The patronage banks hold a portion of the credit facility and are cooperative banks that are required to distribute their profits to their members. Patronage credits are calculated based on the patronage banks' ownership percentage of the credit facility and are received by the Company as either a cash distribution or as equity in the patronage banks. The current patronage credit percentages are 65% in cash and 35% in equity. These credits are recorded in the condensed consolidated statement of operations as an offset to interest expense. The Patronage credits for the three and six months ended June 30, 2012 were $0.2 million and $0.5 million, respectively.

The aggregate maturities of the Term Loan A and Term Loan B are $1.0 million in the remainder of 2012, $7.5 million in 2013, $7.5 million in 2014, $13.0 million in 2015, $90.0 million in 2016 and $189.5 million in 2017. The revolver is payable in full in 2016.

The Company's blended average interest rate on its long-term debt for the six months ended June 30, 2012 was 3.75%.

Capital lease obligations

In addition to the long-term debt discussed above, the Company has entered into capital leases on vehicles with original lease terms of four to five years. At June 30, 2012, the carrying value and accumulated depreciation of these assets was $2.5 million and $1.2 million, respectively. In addition, the Company has $0.6 million of capital leases primarily on telephony equipment from the FiberNet acquisition. As of June 30, 2012, the total net present value of the Company's future minimum lease payments is $1.8 million. As of June 30, 2012, the principal portion of these capital lease obligations is due as follows: $0.3 million in the remainder of 2012, $0.6 million in 2013, $0.5 million in 2014, $0.3 million in 2015 and $0.1 million thereafter.

Note 6. Supplementary Disclosures of Cash Flow Information

The following information is presented as supplementary disclosures for the consolidated statements of cash flows for the six months ended June 30, 2012 and 2011:

	Six Months Ended June 30,	
(In thousands)	**2012**	2011
Cash payments for:		
Interest (net of amounts capitalized)	**$ 5,602**	$ 68
Income taxes	**1,149**	-
Cash receipts for:		
Income tax refunds	**215**	-
Supplemental investing and financing activities:		
Additions to property and equipment included in accounts payable and other accrued liabilities	**1,868**	2,429
Borrowings under capital leases	**137**	722
Dividend paid through increase in borrowings from NTELOS Inc.	**-**	7,585
Dividend declared not paid	**$ 3,000**	$ -

The amount of interest capitalized was less than $0.1 million for each of the three months and six months ended June 30, 2012 and 2011, respectively.

Note 7. Financial Instruments

The Company is exposed to market risks with respect to certain of the financial instruments that it holds. Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the condensed consolidated financial statements at cost which approximates fair value because of the short-term maturity of these instruments. There is no market for the senior credit facility and the capital lease obligations; as of June 30, 2012, the estimated fair values of the senior credit facility and the capital lease obligations were approximately equal to their carrying values. The fair values of the derivative instruments (Note 5) were derived based on quoted trading prices obtained from the administrative agents as of June 30, 2012. The Company's valuation technique for these instruments is considered to be level two fair value measurements within the fair value hierarchy described in FASB ASC 820. The fair values of other financial instruments, if applicable, are based on quoted market prices or discounted cash flows based on current market conditions.

The following table indicates the difference between face amount, carrying amount and fair value of the Company's financial instruments at June 30, 2012 and December 31, 2011.

Financial Instruments

(In thousands)	Face Amount	Carrying Amount	Fair Value
June 30, 2012			
Financial assets:			
Cash	**$ 2,776**	**$ 2,776**	**$ 2,776**
Long-term investments for which it is not practicable to estimate fair value	**N/A**	**301**	**N/A**
Financial liabilities for which it is not practicable to estimate fair value:			
Senior credit facility	**317,000**	**317,000**	**317,000**
Capital lease obligations	**1,832**	**1,832**	**1,832**
Derivatives related to debt:			
Interest rate swap liability	**154,000 ***	**(265)**	**(265)**
Interest rate cap asset	**$ 154,000 ***	**$ -**	**$ -**
December 31, 2011			
Financial assets :			
Cash	$ 10,547	$ 10,547	$ 10,547
Long-term investments for which it is not practicable to estimate fair value	N/A	128	N/A
Financial liabilities for which it is not practicable to estimate fair value:			
Senior credit facility	324,500	324,500	324,500
Capital lease obligations	$ 2,076	$ 2,076	$ 2,076

*notional amount

Of the long-term investments for which it is not practicable to estimate fair value in the table above, $0.2 million as of June 30, 2012 and $0.1 million as of December 31, 2011 represents the Company's investment in CoBank. This investment is primarily related to patronage distributions of restricted equity and is a required investment related to the portion of the credit facility loan held by CoBank. This investment is carried under the cost method.

Note 8. Stockholders' Equity

On August 2, 2012, the Company's board of directors declared a quarterly dividend on its common stock in the amount of $0.14 per share, which is to be paid on October 12, 2012 to stockholders of record on September 14, 2012.

The computations of basic and diluted loss per share for the three and six months ended June 30, 2012 are detailed in the following table. Prior to the Business Separation, the Company did not have any common stock outstanding.

(In thousands)	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Numerator:		
Income applicable to common shares for earnings-per-share computation	**$ 2,775**	**$ 8,062**
Denominator:		
Total shares outstanding	**21,443**	**21,443**
Less: unvested shares	**(469)**	**(469)**
Less: effect of calculating weighted average shares	**(32)**	**(78)**
Denominator for basic earnings per common share - weighted average shares outstanding	**20,942**	**20,896**
Plus: weighted average unvested shares	**443**	**406**
Plus: common stock equivalents of stock options outstanding	**13**	**30**
Denominator for diluted earnings per common share – weighted average shares outstanding	**21,398**	**21,332**

For the three and six months ended June 30, 2012, the denominator for diluted earnings per common share excludes 1,909,187 shares and 1,275,419 shares related to stock options which would be antidilutive for the period, respectively.

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Below is a summary of the activity and status of equity as of and for the six months ended June 30, 2012:

(In thousands, except per share amounts)	Common Shares	Treasury Shares	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Lumos Networks Corp. Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2011	**21,235**	**(65)**	**$ 212**	**$ 126,427**	**$ -**	**$ (57,416)**	**$ (16,840)**	**$ 52,383**	**$ 444**	**$52,827**
Equity-based compensation				**1,396**				**1,396**		**1,396**
Restricted share issued, shares issued through the employee stock purchase plan, shares issued through 401(k) matching contributions, stock options exercised and other	**324**	**(51)**	**4**	**259**				**263**		**263**
Cash dividends declared ($0.28 per share)						**(5,965)**		**(5,965)**		**(5,965)**
Net income attributable to Lumos Networks Corp.						**8,062**		**8,062**		**8,062**
Amortization of actuarial loss from defined benefit plans, net of $346 of deferred tax asset							**544**	**544**		**544**
Net loss attributable to noncontrolling interests								**-**	**(35)**	**(35)**
Balance, June 30, 2012	**21,559**	**(116)**	**$ 216**	**$ 128,082**	**$ -**	**$ (55,319)**	**$ (16,296)**	**$ 56,683**	**$ 409**	**$57,092**

Note 9. Stock Plans

The Company has an Equity and Cash Incentive Plan administered by the Compensation Committee of the Company's board of directors, which permits the grant of long-term incentives to employees and non-employee directors, including stock options, stock appreciation rights, restricted stock awards, restricted stock units, incentive awards, other stock-based awards and dividend equivalents. The maximum number of shares of common stock available for awards under the Equity and Cash Incentive Plan is 4,000,000. As of June 30, 2012, 1,278,585 securities remained available for issuance under the Equity and Cash Incentive Plan. Upon the exercise of stock options or upon the grant of restricted stock under the Equity and Cash Incentive Plan, new common shares are issued.

During the six months ended June 30, 2012, the Company issued 819,332 stock options under the Equity and Cash Incentive Plan. The options issued under the Equity and Cash Incentive Plan generally vest one-fourth annually beginning one year after the grant date for employees and generally cliff vest on the first anniversary of the grant date for non-employee directors. Additionally, during the six months ended June 30, 2012, the Company issued 280,574 shares of restricted stock under the Equity and Cash Incentive Plan. These restricted shares generally cliff vest on the third anniversary of the grant date for employees and generally cliff vest on the first anniversary of the grant date for non-employee directors. Dividend rights applicable to restricted stock are equivalent to the Company's common stock.

Stock options must be granted under the Equity and Cash Incentive Plan at not less than 100% of fair value on the date of grant and have a maximum life of ten years from the date of grant. Options and other awards under the Equity and Cash Incentive Plan may be exercised in compliance with such requirements as determined by a committee of the board of directors. All options outstanding were issued at a strike price equal to or greater than the fair value on the date of grant.

The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model with assumptions related to risk-free interest rate, expected volatility, dividend yield and expected terminations. The fair value of each restricted stock award is based on the closing price of the Company's common stock on the grant date.

The summary of the activity and status of the Company's stock options for the six months ended June 30, 2012, is as follows:

(In thousands, except per share amounts)	Shares	Weighted Average Exercise Price per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Stock options outstanding at January 1, 2012	1,348	$ 14.58		
Granted during the period	819	9.83		
Exercised during the period	-	-		
Forfeited during the period	(189)	13.85		
Expired during the period	(55)	14.72		
Outstanding at June 30, 2012	1,923	12.62	7.7 years	$ 585
Exercisable at June 30, 2012	737	14.61	5.3 years	$ 128
Total outstanding, vested and expected to vest at June 30, 2012	1,755	$ 12.87		$ 493

The weighted-average grant date fair value per share of stock options granted during the six months ended June 30, 2012 was $2.35. The total fair value of options that vested during the six months ended June 30, 2012 was $0.8 million. As of June 30, 2012, there was $2.3 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 3.6 years.

The summary of the activity and status of the Company's restricted stock for the six months ended June 30, 2012, is as follows:

(In thousands, except per share amounts)	**Shares**		**Weighted Average Grant Date Fair Value per Share**
Restricted stock outstanding at January 1, 2012	352	$	14.46
Granted during the period	281		10.32
Vested during the period	(100)		14.43
Forfeited during the period	(64)		13.91
Restricted stock outstanding at June 30, 2012	469	$	12.07

As of June 30, 2012, there was $3.4 million of total unrecognized compensation cost related to unvested restricted stock awards, which is expected to be recognized over a weighted-average period of 2.5 years. The fair value of the restricted stock is equal to the market value of common stock on the date of grant.

In addition to the Equity and Cash Incentive Plan discussed above, the Company has an employee stock purchase plan which commenced in November 2011 with 100,000 shares available. New common shares will be issued for purchases under this plan. Shares are priced at 85% of the closing price on the last trading day of the month and settle on the second business day of the following month. During the six months ended June 30, 2012, 6,578 shares were issued under the employee stock purchase plan. Compensation expense associated with the employee stock purchase plan was not material in the six-month period ended June 30, 2012.

Note 10. Income Taxes

Income tax expense for the three and six months ended June 30, 2012 was $3.0 million and $6.4 million, respectively, representing the statutory tax rate applied to pre-tax income and the effects of certain non-deductible compensation. The Company expects its recurring non-deductible expenses to relate primarily to certain non-cash share-based compensation. For the remainder of 2012, the amount of these charges is expected to be approximately $0.2 million.

The Company has prior year unused net operating losses, including certain built-in losses ("NOLs") totaling $5.6 million as of June 30, 2012. The prior year NOLs are subject to an adjusted annual maximum limit (the "IRC 382 Limit") of $0.3 million. Based on the IRC 382 Limit, the Company expects that $3.9 million of these prior NOLs will be available for use as follows: $0.7 million in 2012 and $0.3 million per year in 2013 through 2022. The Company believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

While the Company believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be greater than its accrued position. Accordingly, additional provisions could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved. In general, the tax years that remain open and subject to federal and state audit examinations are 2009-2012 and 2008-2012, respectively.

Note 11. Commitments and Contingencies

The Company periodically makes claims or receives disputes and is involved in legal actions related to billings to other carriers for access to the Company's network. The Company does not recognize revenue related to such matters until the period that it is reasonably assured of the collection of these claims. In the event that a claim is made related to revenues previously recognized, the Company assesses the validity of the claim and adjusts the amount of revenue being recognized to the extent that the claim adjustment is considered probable and estimable. The Company has had a lawsuit related to access billings filed against it totaling $3.9 million for which a loss is "reasonably possible" under applicable accounting standards. The outcome of this matter is difficult to determine and the Company intends to vigorously contest and defend its position. The Company has no accrual established related to this lawsuit.

The Company has received access disputes from other carriers totaling $6.0 million for which the Company has reserved $5.6 million, representing the Company's best estimate of the outcome of these disputes. The Company does not expect that the ultimate disposition of these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company periodically disputes network access charges that are assessed by other companies with which the Company interconnects and is involved in other disputes and legal and tax proceedings and filings arising from normal business activities. The Company has disputed and not paid access charges with an ILEC totaling $6.6 million for which the Company has no reserve. While the outcome of this and other such matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows, and believes that adequate provision for any probable and estimable losses has been made in the Company's condensed consolidated financial statements.

The Company has other purchase commitments relating to capital expenditures totaling $1.9 million as of June 30, 2012, which are expected to be satisfied during 2012.

In connection with the Business Separation, the Company entered into a series of agreements with NTELOS which are intended to govern the relationship between the Company and NTELOS going forward (Note 2), and within such agreements, the companies are required to indemnify each other regarding certain matters.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Any statements contained in this report that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. The words "anticipates," "believes," "expects," "intends," "plans," "estimates," "targets," "projects," "should," "may," "will" and similar words and expressions are intended to identify forward-looking statements. These forward-looking statements are contained throughout this report, for example in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Such forward-looking statements reflect, among other things, our current expectations, plans and strategies, and anticipated financial results, all of which are subject to known and unknown risks, uncertainties and factors that may cause our actual results to differ materially from those expressed or implied by these forward-looking statements. Many of these risks are beyond our ability to control or predict. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this report. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made. We do not undertake any obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise. You should read the following discussion of our financial condition in conjunction with our consolidated financial statements and the related notes included elsewhere in this report. The following discussion contains forward-looking statements that involve risks and uncertainties. For additional information regarding some of these risks and uncertainties that affect our business and the industry in which we operate, please see "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011.

Overview

Lumos Networks is a fiber-based network service provider in the Mid-Atlantic region supported by an extensive fiber optic network, with approximately 5,800 route-miles in western Virginia, West Virginia, and portions of Pennsylvania, Maryland, Ohio and Kentucky. We serve carrier, business and residential customers over a dense fiber network offering data, voice, and IP services using an on-network service strategy. Our product offerings include voice services, high-speed transport, private line and wavelength high-bandwidth services, which provides a means to efficiently utilize fiber in broadband applications and to provide high-capacity bandwidth, such as Metro Ethernet, which provides Ethernet connectivity among multiple locations in the same city or region over our fiber optic network.

Our position as a regional service provider has been achieved by pursuing organic growth opportunities and complementary acquisitions. We also continue to extend our network to customers in order to improve network quality, eliminate access-related expenses and control the customer experience.

Our strategy is to (i) leverage our network assets with sales of data and IP-based services to new and existing regional enterprise and government customers; (ii) expand the Competitive segment to add additional on-net locations and connect additional wireless carrier cell sites and networks; (iii) continue to provide high quality customer service with low churn and a compelling value proposition; and (iv) generate cash flow from the additional sales of fiber based broadband and IP video services to our RLEC customer base and targeted non-RLEC developments.

Central to our strategy is being first to the regional markets with advanced technology and services first introduced in metropolitan areas by national service providers. Our tradition of service and creative and tailored service solutions with a diversified portfolio of products is attractive to carriers with needs for transport and fiber to the cell site and to regional enterprise customers seeking high quality data and IP services and interconnection to data centers in the region.

Business Separation

On October 14, 2011, NTELOS announced a distribution date of October 31, 2011 for the spin-off of all of the issued and outstanding shares of common stock of Lumos Networks, which operated NTELOS's wireline operations. Prior to and in connection with the Business Separation, following the market close on October 31, 2011, NTELOS effectuated a 1-for-2 reverse stock split of its shares of common stock. On October 31, 2011, NTELOS distributed one share of Lumos Networks common stock for every share of NTELOS common stock outstanding, on a post-Reverse Stock Split basis. The spin-off of Lumos Networks was in the form of a tax-free stock distribution to NTELOS's stockholders of record as of the close of business on October 24, 2011, the record date. As of November 1, 2011, we are publicly traded on NASDAQ under the ticker symbol "LMOS."

In connection with the Business Separation, we paid $315 million to NTELOS (i) to settle with cash the intercompany debt owed to NTELOS as of the Business Separation date ($177.1 million) and, with the balance, (ii) to fund a mandatory repayment on NTELOS's senior secured credit facility resulting from the Business Separation.

We have entered into a separation and distribution agreement containing key provisions related to the Business Separation and assets transferred, liabilities assumed and contracts assigned to us. For a period of time, we will utilize NTELOS for transition services for certain corporate and information technology functions under a transition services agreement ("TSA"). For 2012, we anticipate our cost of TSA services will be approximately $2.5 million, of which $1.7 million has been incurred through June 30, 2012, and we anticipate that we will provide TSA services to NTELOS for certain corporate functions of approximately $1.0 million, of which $0.8 million has been realized through June 30, 2012.

Financial data included in this Form 10-Q reflects Lumos Networks as a standalone public company. Revenue for 2011 includes services sold to the NTELOS wireless segment, which amounted to $1.9 million for the three months ended June 30, 2011 and $3.9 million for the six months ended June 30, 2011. Expenses for 2011 include items previously unallocated by NTELOS, inclusive of legal and professional fees, equity-based compensation expense and certain expenses related to acquisitions. These additional expenses for the three and six months ended June 30, 2011 totaled $0.7 million and $1.5 million, respectively.

We are incurring additional expenses as a result of the Business Separation. We also are incurring expenses related to transition services from NTELOS and will continue to incur such expenses for a period of time not to exceed two years as specified in the transition services agreement with NTELOS. During the three and six months ended June 30, 2012, the net expense to the Company related to the transition services agreement was $0.5 million and $0.9 million, respectively. Upon the expiration or early termination of the transition services agreement or other agreements, many of the services that are covered in such agreements will be provided internally or by unaffiliated third-parties, and we expect that, in some instances, we will incur higher costs to obtain such services than we incurred prior to the Business Separation or under the terms of such agreements. While we do not expect these higher costs to be material, the amount and timing of when we incur such additional costs may increase the variability of our earnings and cash flows. If we are unable to lower other expenses or increase revenues, these additional expenses also will lower our earnings and our cash flows. In 2011, we incurred one-time costs for customer and marketing communications, and we are currently incurring additional costs of being a public company and costs associated with creating a new information technology infrastructure. These costs may be in excess of previously allocated corporate expenses; however, we do not expect these additional and incremental costs to be material to our earnings and cash flows.

Business Segments

We operate our business as two segments: a competitive network service provider and a traditional RLEC.

The Competitive segment derives revenue from the sale of data, Internet-based services and traditional voice services primarily to enterprise customers and carrier transport services to other carriers. Our Competitive business serves Virginia, West Virginia, and Pennsylvania, Maryland, Kentucky and Ohio over an approximately 5,800 route-mile fiber network. We market and sell our services almost exclusively to business, government and carrier customers. Revenues from the Competitive segment accounted for approximately 77% and 74% of our total revenue for the three months ended June 30, 2012 and 2011, respectively, and approximately 76% and 73% of our total revenue for the six months ended June 30, 2012 and 2011, respectively.

Our focus in 2012 is to grow Competitive revenue by driving enterprise data sales and wholesale data sales to carriers for transport and fiber-to-the-cell sites in our footprint. We have added significant experienced sales resources to improve our market penetration and facilitate the sale of our data and IP-based services. We have also added sales resources to focus on obtaining long-term fiber-to-the-cell site contracts with wireless carriers that are deploying 4G data services, which will also enable us to transport high speed connections to switching locations. We strive to leverage our network, focusing on potential customers on or near our fiber backbone and maximizing future capital expenditure efficiency.

In 2011 and during the first six months of 2012, we experienced higher than anticipated churn in the Competitive voice segment from the residential and small business customer base in the FiberNet markets of West Virginia. We also generated lower than expected new sales during these periods as we further rationalized these markets. We anticipate that these churn and new sales trends for Competitive voice may continue throughout the remainder of 2012.

The RLEC provides service to the rural Virginia cities of Waynesboro and Covington, and portions of Alleghany, Augusta and Botetourt counties. The RLEC utilizes an Alcatel-Lucent 5ESS digital switch serving as a tandem switch to our local region. We offer high speed broadband to 98% of the RLEC and have invested in fiber-to-the-home, which passed approximately 16,000 homes as of June 30, 2012. The fiber network provides the foundation for IP-based video services, currently up to 20 Mbps high speed Internet services and will allow us to offer future high-bandwidth applications as they evolve. While the RLEC owns the fiber, the products are sold through the Competitive segment. The Competitive segment purchases basic fiber services from the RLEC but provides its own sales, customer service and customer equipment to these RLEC customers. The intercompany revenue is eliminated in our condensed consolidated statements of operations.

In the RLEC market, our fiber-to-the-home deployment significantly reduces churn in the areas where it is offered. In 2010, we received a federal broadband stimulus award to bring broadband services and infrastructure to Alleghany County, Virginia. The total project is $16 million, of which 50% (approximately $8 million) is being funded by the grant from the federal government. We commenced this project in 2010 and began offering higher speed broadband services in Alleghany County in the fourth quarter of 2010, and we have incurred $9.4 million of total project costs through June 30, 2012. The project is required to be completed in 2015.

As of June 30, 2012, we operated approximately 32,300 RLEC telephone access lines, representing a decline of approximately 900 access lines from December 31, 2011 and approximately 2,200 lines from June 30, 2011 due to cable competition, wireless substitution and the economic climate. These line losses, coupled with mid-year 2011 rate reductions as a result of our biennial tariff filing with the Federal Communications Commission ("FCC") for one of our RLECs, access reconfigurations and network grooming by carriers, contributed to a 12.9% decline in RLEC revenues from the three months ended June 30, 2011 to the comparative period in 2012 and a 12.6% decline in RLEC revenues from the six months ended June 30, 2011 to the comparative period in 2012.

We anticipate significant further access revenue declines in the RLEC segment as a result of recent actions taken by applicable regulatory authorities, principally the FCC and the Virginia State Corporation Commission ("SCC"). However, a portion of the access revenue that we currently receive from carriers will be recovered through payments from the FCC's newly created "Connect America Fund" and from increases in charges to end user subscribers in the form of rate increases and the FCC's newly created "Access Recovery Charge." These new payments and revenues are effective on July 1, 2012. Access revenue also will be negatively impacted by network grooming by carriers, which commenced in 2011 and is expected to continue in 2012 and beyond. On November 18, 2011, the FCC released an order comprehensively reforming its Universal Service Fund and intercarrier compensation systems. In the order, the FCC determined that interstate and intrastate access charges, as well as local reciprocal compensation, should be eliminated entirely over time. These FCC pricing reductions are scheduled to commence on July 1, 2012. Our combined RLEC revenues from access and the universal service fund ("USF") was $7.1 million ($2.8 million of which was from intra-state access revenues and $1.8 million was from USF) for the three months ended June 30, 2012 as compared to access revenues of $8.6 million ($4.0 million of which was from intra-state access revenues and $1.9 million was from USF) for the three months ended June 30, 2011. Our combined RLEC revenues from access and the USF was $14.9 million ($6.2 million of which was from intra-state access revenues and $3.6 million was from USF) for the six months ended June 30, 2012 as compared to access revenues of $17.7 million ($8.6 million of which was from intra-state access revenues and $3.8 million was from USF) for the six months ended June 30, 2011.

Our operating income margins were approximately 18% and 26% for the three months ended June 30, 2012 and 2011, respectively, and were approximately 20% and 25% for the six months ended June 30, 2012 and 2011, respectively. The decrease in the margin is primarily due to the RLEC access revenue reductions discussed above.

Market Risks

Many of the market risk factors described above which affected our results of operations in 2011 and the first six months of 2012 are expected to continue throughout the remainder of 2012 and beyond.

Operating Revenues

Our revenues are generated from the following categories:

- Competitive segment revenues, including revenues from Enterprise Data (Dedicated Internet, Metro Ethernet, and private line), Residential and Small Business Broadband (Integrated Access, DSL, Broadband XL, and IP-based video), Wholesale Transport, Voice (local lines, PRI, and Long Distance) and other legacy Competitive products and revenue streams (dial-up Internet services, switched access and reciprocal compensation); and

- RLEC segment revenues, including local service, network access, toll and directory advertising.

Operating Expenses

Our operating expenses are incurred from the following categories:

- cost of sales and services, including usage-based access charges, long distance and other direct costs incurred in accessing other telecommunications providers' networks in order to provide telecommunication services to our end-user customers, leased facility expenses for connection to other carriers and engineering and repairs and maintenance expenses related to network property, plant and equipment;
- customer operations expenses, including marketing, product management, product advertising, selling, billing, publication of regional telephone directories, customer care, directory services and bad debt expenses;
- corporate operations expenses, including taxes other than income, executive services, accounting, legal, purchasing, information technology, human resources and other general and administrative expenses, including earned bonuses and equity-based compensation expense related to stock and option instruments held by employees and non-employee directors, employee separation charges related to a prior executive officer and amortization of actuarial losses related to retirement plans;
- depreciation and amortization, including depreciable long-lived property, plant and equipment and amortization of intangible assets where applicable; and
- accretion of asset retirement obligations.

Other Income (Expenses)

Our other income (expenses) are generated (incurred) from interest expense on debt instruments and capital lease obligations, interest expense on accounts due to NTELOS (prior to the Business Separation), loss on interest rate derivatives and other income (expense), which includes interest income and fees, expenses related to our senior secured credit facility and, as appropriate, related charges or amortization of debt issuance fees.

Income Taxes

Our income tax expense and effective tax rate increases or decreases based upon changes in a number of factors, including our pre-tax income or loss, state minimum tax assessments, and non-deductible expenses. Prior to the Business Separation, our income taxes were included in the NTELOS consolidated federal income tax return and certain unitary or consolidated state income tax returns of NTELOS. However, our income taxes were calculated and provided for on an "as if separate" tax return basis.

Noncontrolling Interests in Losses (Earnings) of Subsidiaries

We have an RLEC segment partnership with a 46.3% noncontrolling interest that owns certain signaling equipment and provides service to a number of small RLECs and to TNS (an inter-operability solution provider).

Results of Operations

Three and six months ended June 30, 2012 compared to three and six months ended June 30, 2011

Operating revenues decreased $1.3 million, or 2.4%, from the three months ended June 30, 2011 to the three months ended June 30, 2012 due to a decrease in RLEC revenues of $1.8 million, partially offset by an increase in Competitive segment revenues of $0.5 million. Operating revenues decreased $2.5 million, or 2.4%, from the six months ended June 30, 2011 to the six months ended June 30, 2012 due to a decrease in RLEC revenues of $3.5 million, partially offset by an increase in Competitive segment revenues of $1.0 million. As noted above, the decline in RLEC segment revenues from the prior year comparative periods was due primarily to the loss of access lines, a biennial reset (reduction) of our interstate access rates in the third quarter of 2011 and revenue reductions related to recent actions taken by applicable regulatory authorities and interexchange carrier network grooming. The increase in Competitive segment revenues over the comparative periods was primarily driven by increases in wholesale and data revenues, and was partially offset by a decline in voice and other non-strategic revenues.

Operating income decreased $4.3 million from the three months ended June 30, 2011 to the three months ended June 30, 2012 due to the $1.3 million decrease in revenues and a $3.0 million increase in operating expenses. Operating income decreased $5.2 million from the six months ended June 30, 2011 to the six months ended June 30, 2012 due to the $2.5 million decrease in revenues and a $2.7 million increase in operating expenses. Total operating expenses for the three- and six-month periods ended June 30, 2012 include a charge of $2.0 million related to the recognition of separation benefits which were provided for in the separation agreement of an executive officer who left the Company in April 2012. The remaining three- and six-month increases in operating expense over 2011 are described in the operating expenses section below.

Net income attributable to Lumos Networks decreased $3.7 million from the three months ended June 30, 2011 to the three months ended June 30, 2012. Reflected in these results was the $4.3 million decrease in operating income and a $0.8 million increase in interest expense from the comparative three-month period in 2011 to the comparative three-month period in 2012. Partially offsetting these results was a $1.2 million decrease in income tax expense from the three months ended June 30, 2011 to the three months ended June 30, 2012.

Net income attributable to Lumos Networks decreased $3.5 million from the six months ended June 30, 2011 to the six months ended June 30, 2012, reflecting the $5.2 million decrease in operating income partially offset by a $1.5 million decrease in income tax expense.

OPERATING REVENUES

The following tables identify our external operating revenues by business segment for three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,			
Operating Revenues	**2012**	**2011**	**$ Variance**	**% Variance**
(Dollars in thousands)				
Competitive	**$ 38,968**	$ 38,473	$ 495	1.3 %
RLEC	**11,835**	13,589	(1,754)	(12.9)%
Total	**$ 50,803**	$ 52,062	$ (1,259)	(2.4)%

	Six Months Ended June 30,			
Operating Revenues	**2012**	**2011**	**$ Variance**	**% Variance**
(Dollars in thousands)				
Competitive	**$ 77,884**	$ 76,862	$ 1,022	1.3 %
RLEC	**24,331**	27,844	(3,513)	(12.6)%
Total	**$ 102,215**	$ 104,706	$ (2,491)	(2.4)%

- *Competitive Revenues.* Competitive revenues for the three months ended June 30, 2012 increased $0.5 million, or 1.3%, over the three-month comparative period in 2011, and Competitive revenues for the six months ended June 30, 2012 increased $1.0 million, or 1.3%, over the six-month comparative period in 2011. Wholesale revenue for the three months ended June 30, 2012 grew $1.9 million, or 20.4%, over the three months ended June 30, 2011, and wholesale revenue for the six months ended June 30, 2012 grew $4.5 million, or 25.5%, over the six months ended June 30, 2011. Wholesale revenue growth is derived primarily from fiber connections to wireless cell sites, which connections increased 63.3%, from 109 as of June 30, 2011 to 178 as of June 30, 2012. As of December 31, 2011, we had 148 fiber connections to wireless cell sites, and we expect to more than double such connections by the end of 2012. Revenue from Enterprise Data and Residential and Small Business Broadband Data products collectively increased $1.5 million, or 12.0%, from the three months ended June 30, 2011 to the three months ended June 30, 2012 and increased $2.3 million, or 9.3%, from the six months ended June 30, 2011 to the six months ended June 30, 2012. These increases were primarily driven by an increase in on-net buildings of 20.8%, from 903 as of June 30, 2011 to 1,091 as of June 30, 2012. Revenues from Competitive wholesale and data accounted for 63.9% and 63.1% of total Competitive revenue for the three and six months ended June 30, 2012, respectively, up from 56.0% and 55.1% for the three and six months ended June 30, 2011. These three- and six-month increases in Competitive wholesale and data revenues were partially offset by a $2.9 million, or 17.0%, three-month decrease and a $5.8 million, or 16.7%, six-month decrease in revenues from Competitive voice and other non-strategic revenues, including dial-up Internet and reciprocal compensation.

- *RLEC Revenues*. RLEC revenues decreased $1.8 million, or 12.9%, and $3.5 million, or 12.6%, from the three and six months ended June 30, 2011 to the three and six months ended June 30, 2012, respectively, primarily due to decreased access revenues resulting from a 6.4% decrease in access lines and a decrease in access revenues from our carrier customers with whom we interconnect and for whom we provide access services based on rate reductions and configuration changes. Finally, on July 1, 2011, our interstate access rates were subject to a biennial reset (reduction), which resulted in a $1.2 million reduction in revenue during the second half of 2011. We anticipate that this rate reset will result in a comparable monthly reduction in revenue during 2012.

  Additionally, as noted in the overview section above, recent actions from regulatory authorities will cause rate declines beginning in July 2012 with further reductions occurring over the next few years, the effect of which is predicted to be more significant than what we have experienced in prior years.

  Access lines totaled approximately 32,300 as of June 30, 2012 and approximately 34,500 as of June 30, 2011, a 2,200 line decline. This access line loss is reflective of residential wireless substitution, the effect of current economic conditions on businesses and competitive voice service offerings from cable operators in our RLEC markets.

OPERATING EXPENSES

The following tables identify our operating expenses by business segment, consistent with the tables presenting operating revenues above, for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,			
Operating Expenses	**2012**	**2011**	**$ Variance**	**%Variance**
(Dollars in thousands)				
Competitive	**$ 24,890**	$ 23,002	$ 1,888	8.2 %
RLEC	**4,807**	4,035	772	19.1 %
Operating expenses, before equity-based compensation expense, acquisition related charges, depreciation and amortization, accretion of asset retirement obligations, employee separation charges and amortization of actuarial losses	**29,697**	27,037	2,660	9.8 %
Equity-based compensation expense	**777**	674	103	15.3 %
Acquisition related charges	**-**	39	(39)	(100.0)%
Depreciation and amortization	**8,803**	10,997	(2,194)	(20.0)%
Accretion of asset retirement obligations	**31**	28	3	10.7 %
Employee separation charges[(1)]	**2,035**	-	2,035	N/M%
Amortization of actuarial losses[(2)]	**445**	-	445	N/M%
Total operating expenses	**$ 41,788**	$ 38,775	$ 3,013	7.8 %

	Six Months Ended June 30,			
Operating Expenses	**2012**	**2011**	**$ Variance**	**%Variance**
(Dollars in thousands)				
Competitive	**$ 49,258**	$ 46,914	$ 2,344	5.0 %
RLEC	**9,560**	8,503	1,057	12.4 %
Operating expenses, before equity-based compensation expense, acquisition related charges, depreciation and amortization, accretion of asset retirement obligations, employee separation charges and amortization of actuarial losses	**58,818**	55,417	3,401	6.1 %
Equity-based compensation expense	**1,788**	1,362	426	31.3 %
Acquisition related charges	**-**	80	(80)	(100.0)%
Depreciation and amortization	**18,023**	21,999	(3,976)	(18.1)%
Accretion of asset retirement obligations	**61**	56	5	8.9 %
Employee separation charges[(1)]	**2,035**	-	2,035	N/M%
Amortization of actuarial losses[(2)]	**890**	-	890	N/M%
Total operating expenses	**$ 81,615**	$ 78,914	$ 2,701	3.4 %

(1) In the second quarter of 2012, we recorded charges of $2.0 million related to the recognition of employee separation benefits which were provided for in the employment agreement of an executive officer who left the Company in April 2012. These charges are in included in corporate operations expense on the condensed consolidated statement of operations.

(2) We received an allocated portion of the total benefits expenses from NTELOS Inc. for NTELOS's pension

and other postemployment retirement plans in which we participated during the periods prior to the Business Separation. The total allocated expense for the three and six months ended June 30, 2011 related to amortization of actuarial losses was not material.

The following describes our operating expenses by segment and on a basis consistent with our financial statement presentation.

- *Competitive* –Compensation and benefits directly charged to the Competitive segment combined with corporate allocations during the three months ended June 30, 2012 increased $1.9 million over compensation and benefits directly charged to the Competitive segment and allocations from NTELOS (which were eliminated upon the Business Separation) in the three months ended June 30, 2011. Bad debt expense decreased by $0.4 million but was offset by increases in other expenses such as professional fees and telephone expense.

  Consistent with the three-month increase, the six-month increase noted in the table above was primarily driven by a net $2.8 million increase in compensation and corporate allocations, as well as increases in other expenses such as professional fees and telephone expense. Partially offsetting these net increases was a $0.4 million decrease in access expense and a $0.4 million decrease in bad debt expense.

- RLEC – Similar to the Competitive segment, the three- and six-month increases noted in the tables above were driven primarily by increases in corporate allocations and increases in direct salaries, wages and benefits, partially offset by decreases in operating expenses allocated from NTELOS in the prior year. Also, professional fees increased $0.1 million and $0.4 million over the prior year three- and six-month periods, respectively.

COST OF SALES AND SERVICES—Cost of sales and services increased $1.0 million, or 5.2%, from the three months ended June 30, 2011 and increased $0.3 million, or 0.8%, from the six months ended June 30, 2011.

The $1.0 million increase over the prior year three-month comparative period includes a $0.4 million increase in access expense and also includes increases of $0.2 million or less in various line items, including repairs and maintenance, telephone, materials and supplies and equity-based compensation expense.

A decrease of $0.7 million in the first quarter of 2012 from the prior year comparative quarter partially offset the $1.0 million increase for the second quarter of 2012 described above, resulting in a $0.3 million net increase over the prior year comparative six-month period. The first quarter decline was driven by a decrease in network access expenses related to line loss and reductions in leased facilities from converting customers to our network.

We anticipate the increase in access related expenses from Competitive revenue growth will be largely offset by declines from voice line churn, particularly in the legacy FiberNet markets, and by pruning leased facilities.

CUSTOMER OPERATIONS EXPENSES—Customer operations expenses increased $0.5 million, or 9.6%, from the three months ended June 30, 2011 and increased $0.4 million, or 4.4%, from the six months ended June 30, 2011. The increases for both of the three- and six-month periods include a $0.6 million increase in employee compensation and benefits directly charged to Lumos, which increases are net of decreases in corporate overhead costs that were allocated from NTELOS in 2011. Also increasing over the comparative three and six months were postage and freight expenses, equity-based compensation expense and materials and supplies. These line items collectively increased $0.3 million over the comparative three months and increased $0.4 million over the comparative six months. Partially offsetting these increases over the three-month prior year comparative period was a decrease of $0.3 million in bad debt expense. Similarly, bad debt expense decreased $0.4 million from the prior year six-month comparative period.

CORPORATE OPERATIONS EXPENSES—Corporate operations expense increased $3.7 million, or 108.4% over the comparative three months in 2011 and increased $5.9 million, or 80.8%, over the comparative six months in 2011. Included in the results for the three and six months ended June 30, 2012 was a charge of $2.0 million related to employee separation benefits which were provided for in the terms of the separation agreement of an executive officer who left the Company in April 2012. Also included in the results for the three and six months ended June 30, 2012 were charges of $0.4 million and $0.9 million, respectively, for amortization of actuarial losses for the pension plan. During the three and six months ended June 30, 2011, the allocation of amortization of actuarial losses from NTELOS was not material. Legal and professional fees increased $0.4 million over the prior year comparative three-month period and increased $1.3 million over the prior year comparative six-month period due to legal and professional services related to access and other disputes (Note 11). The remainder of the net three- and six-month increases relate to expenses incurred to establish and maintain independent operations from NTELOS, including increased director fees, insurance and contracted services.

DEPRECIATION AND AMORTIZATION—Depreciation and amortization decreased $2.2 million, or 20.0%, from the three months ended June 30, 2011 and decreased $4.0 million, or 18.1%, from the six months ended June 30, 2011. These decreases are primarily attributable to a $1.2 million three-month decrease and a $2.5 million six-month decrease in amortization expense related to customer and other amortizable intangible assets from the 2010 FiberNet acquisition, a majority of the amortization expense for which is escalated in the early years of the asset lives based on these assets' estimated pattern of benefit, and due to the impairment of certain customer intangible and trademark intangible assets in the RLEC segment during the fourth quarter of 2011. Also contributing to the three- and six-month decreases in depreciation and amortization was a $1.0 million three-month decrease and a $1.4 million six-month decrease in depreciation expense primarily related to the impairment of certain assets in the RLEC segment during the fourth quarter of 2011.

OTHER INCOME (EXPENSES) – Interest expense for the three months ended June 30, 2012 and 2011 was $2.9 million and $2.6 million, respectively, representing an increase of $0.3 million, or 14.3%. Interest expense for the six months ended June 30, 2012 and 2011 was $5.9 million and $6.3 million, respectively, representing a decrease of $0.4 million, or 5.8%. Interest expense for the three and six months ended June 30, 2011 primarily represents intercompany interest charged to us by NTELOS for our subsidiaries that had intercompany loans from NTELOS, partially offset by interest earned from NTELOS related to our subsidiaries that had intercompany receivables with NTELOS. The rate used for this intercompany interest charge was equal to NTELOS's average borrowing rate of 5.21% for the six months ended June 30, 2011. The earned interest rate that we charged to NTELOS was a fraction of the borrowing rate charged by NTELOS. During the three and six months ended June 30, 2012, interest expense primarily includes actual interest associated with our Credit Facility, which rate is significantly lower than the average borrowing rate of NTELOS in 2011 (3.75% average rate for the six months ended June 30, 2012).

Additionally, for the three and six months ended June 30, 2012, we recorded a loss on derivative instruments of $0.4 million and $0.3 million, respectively, which is reflected as "loss on interest rate derivatives" in the condensed consolidated statement of operations (Note 7).

INCOME TAXES – Income tax expense for the three months ended June 30, 2012 and 2011 was $3.0 million and $4.2 million, respectively, and income tax expense for the six months ended June 30, 2012 and 2011 was $6.4 million and $7.9 million, respectively, representing the statutory tax rate applied to pre-tax income and the effects of certain non-deductible compensation, non-controlling interests and other non-deductible expenses. Our effective income tax rate increased significantly in both the three and six months ended June 30, 2012 over the comparative periods in 2011 as a result of the Business Separation, which resulted in an increase in state income tax expense as a component of total income tax expense due to the removal of the dilutive effects of NTELOS from our combined state tax reporting groups. We expect our recurring non-deductible expenses to relate primarily to certain non-cash share-based compensation. For the remainder of 2012, the amount of these charges is expected to be approximately $0.2 million.

We have prior year unused net operating losses including certain built-in losses ("NOLs"), totaling $5.6 million as of June 30, 2012. These NOLs are subject to an adjusted annual maximum limit (the "IRC 382 Limit") of $0.3 million . Based on the IRC 382 Limit, we expect to use NOLs of approximately $3.9 million as follows: $0.7 million in 2012 and $0.3 million per year in 2013 through 2022.

Liquidity and Capital Resources

For the six months ended June 30, 2012 and 2011, our working capital requirements, capital expenditures and cash dividends were funded by cash on hand and net cash provided from operating activities. We believe our cash generated from operations will continue to fund our working capital requirements, capital expenditures and anticipated interest and principal payments on our Credit Facility for the next twelve months.

As of June 30, 2012, we had $401.7 million in aggregate long term liabilities, consisting of $312.3 million in borrowings under our Credit Facility ($317.0 million including the current portion) and $89.4 million in other long-term liabilities, inclusive of deferred income tax liabilities of $47.6 million and other long-term liabilities of $41.8 million. Our credit agreement includes a revolving credit facility of $60 million (the "Revolver"), approximately $51.5 million of which is available for our working capital requirements and other general corporate purposes as of June 30, 2012.

In addition to the Credit Facility, we have entered into capital leases on vehicles with original lease terms of four to five years. In addition, we have $0.6 million of capital leases primarily on telephony equipment with the FiberNet acquisition. As of June 30, 2012, the total net present value of our future minimum lease payments is $1.8 million. As of June 30, 2012, the principal portion of these capital lease obligations is due as follows: $0.3 million in the remainder of 2012, $0.6 million in 2013, $0.5 million in 2014, $0.3 million in 2015 and $0.1 million thereafter.

We have a maximum distributable amount under the terms of our credit agreement that can be used to make certain restricted payments including dividends. The distributable amount was initially set at $5 million on the date of funding and is increased every January 1st by the greater of $12 million or 75% of excess cash flow, as defined. The distributable amount as of June 30, 2012 was $11.1 million.

Under the credit agreement governing the Credit Facility, we are also bound by certain financial covenants. Noncompliance with any one or more of the debt covenants may have an adverse effect on our financial condition or liquidity in the event such noncompliance cannot be cured or should we be unable to obtain a waiver from the lenders of the Credit Facility.

As of June 30, 2012, we are in compliance with all of our debt covenants, and our ratios at June 30, 2012 are as follows:

	Actual	Covenant Requirement at June 30, 2012
Total debt outstanding to EBITDA (as defined in the credit agreement)	3.50	Not more than 4.00
Interest coverage ratio	8.23	Not less than 3.25

During the six months ended June 30, 2012, net cash provided by operating activities was $34.6 million. Net income during this period was $8.0 million which included $28.6 million of depreciation, amortization, deferred taxes and other non-cash charges (net). Total net changes in operating assets and liabilities used $2.0 million. The principal changes in operating assets and liabilities from December 31, 2011 to June 30, 2012 were as follows: accounts receivable decreased $1.3 million; current assets increased $1.6 million related to increases in prepaid maintenance contract and rents; accounts payable decreased $1.3 million; other current liabilities increased $2.0 million; and retirement benefit contributions and distributions (net) used $2.4 million.

During the six months ended June 30, 2011, net cash provided by operating activities was approximately $38.5 million. Net income during this period was $11.6 million and we recognized $29.8 million of depreciation, amortization, deferred taxes and other non-cash charges (net). Total net changes in operating assets and liabilities used $3.0 million. The principal changes in operating assets and liabilities from December 31, 2010 to June 30, 2011 were as follows: current assets increased $0.2 million; accounts payable decreased $3.8 million; and other current liabilities increased $1.0 million.

Our cash flows used in investing activities for the six months ended June 30, 2012 were $28.6 million. Of this total, $29.0 million was used for the purchase of property and equipment comprised of (i) $21.7 million for success-based customer and network expansion, (ii) $4.3 million for infrastructure upgrades and network sustainment and (iii) $3.0 million primarily for information technology upgrades. Our cash flows used in investing activities for the six months ended June 30, 2012 also included $0.8 million received from Rural Utilities Service (“RUS”) for reimbursement of the grant portion of capital spent on the projects and the return of $0.8 million of the required pledged deposit, $0.8 million of capital spending on the RUS project for which RUS is obligated to reimburse us and $0.3 million used to purchase the Lumos Networks trade name (Note 3).

Our cash flows used in investing activities for the six months ended June 30, 2011 were approximately $34.6 million, of which approximately $33.8 million was used for the purchase of property and equipment comprised of (i) $7.8 million for the FiberNet network infrastructure and integration, (ii) $14.2 million for success-based customer and network expansion, and (iii) $11.8 million for infrastructure upgrades and network sustainment. Our cash flows used in investing activities for the six months ended June 30, 2011 also included $0.8 million due from Rural Utilities Service (“RUS”) for reimbursement of the grant portion of capital spent on the projects during the six months ended June 30, 2011.

We currently expect capital expenditures for 2012 to be approximately $60 million, although we could determine to increase this for additional discretionary capital expenditures related to customer contracts for wholesale and enterprise data revenue ("success-based capital expenditures"). These capital expenditures will be targeted to leverage our extensive investment in our fiber network backbone and fiber rings with enterprise customer fiber builds, fiber to the cell site deployments and other wholesale revenue opportunities with attractive return on investment profiles. Additionally, we will provide normal network facility upgrades for our RLEC and Competitive operations, and fund fiber deployment in the RLEC territory related to an infrastructure upgrade to offer, among other services, continued deployment of fiber-to-the-home and growth in IPTV-based video subscribers and revenues. We also will incur additional one-time investments as a result of the Business Separation to split systems that we shared with NTELOS and to create new and improved information technology infrastructure.

Net cash used in financing activities for the six months ended June 30, 2012 aggregated $13.8 million, which primarily represents the following:

- $6.5 million of repayments (net) under the revolving credit facility;
- $1.0 million repayments on our Credit Facility;
- $5.9 million cash dividends paid on common stock;
- $0.4 million payments under capital lease obligations; and
- less than $0.1 million provided by other financing activities.

Net cash used in financing activities for the six months ended June 30, 2011 aggregated $3.9 million, which primarily represents the following:

- $4.3 million net borrowings from NTELOS Inc.;
- $7.6 million used for dividends to NTELOS Inc.; and
- $0.7 million payments under capital lease obligations.

As of June 30, 2012, we had $9.5 million in cash and restricted cash and negative working capital (current assets minus current liabilities) of ($4.2) million. Of the total cash on hand as of June 30, 2012, $6.7 million represents previously mentioned pledged deposits for our RUS grant and $2.8 million represents unrestricted cash. We have a swingline arrangement with our primary commercial bank which is part of the total $60 million revolving credit facility. This facility is automatically drawn on or paid down based on cash inflows and outflows from our master cash account which serves to minimize the cost of capital.

Our RLEC paid dividends of $7.6 million to NTELOS Inc., a subsidiary of NTELOS, in the six months ended June 30, 2011 in accordance with the requirements of NTELOS Inc.'s senior secured credit facility. After the Business Separation, the RLEC is no longer a subsidiary of NTELOS Inc. and will therefore no longer make this dividend payment. The RLEC will pay an intercompany dividend to us in accordance with the Credit Facility. There was no RLEC dividend during the six months ended June 30, 2012.

As discussed previously in this Management's Discussion and Analysis, certain events and actions taken by the FCC and telecommunication carriers that we interconnect with are projected to have a significant negative impact on our future cash flows from the RLEC segment. However, we believe that the growth of our cash flows in the Competitive segment will offset the decline in the RLEC cash flows over time.

We expect that our cash flows from operations coupled with cash available from the Revolver are sufficient to satisfy our foreseeable working capital requirements, capital expenditures, dividend payments and debt service requirements for the next 12 months. However, if we determine to increase the level of success-based capital expenditures in support of enterprise and wholesale data revenue growth, we will increase borrowings against our Revolver by more than originally anticipated and could seek additional financing. We cannot be sure that we can obtain additional financing on favorable terms, if at all. Additional equity financing may dilute our stockholders, and debt financing, if available, may restrict our ability to declare and pay dividends and raise future capital. If we are unable to obtain additional needed financing, it may prohibit us from making these capital expenditures or making other investments in our business, which could materially and adversely affect our results of operations by limiting our growth potential.

On February 23, 2012, our Board of Directors declared a quarterly cash dividend on our common stock in the amount of $0.14 per share, which was paid on April 12, 2012 to stockholders of record on March 14, 2012 and totaled $3.0 million. On April 26, 2012, our board of directors declared a quarterly dividend on our common stock in the amount of $0.14 per share, which was paid on July 12, 2012 to stockholders of record on June 14, 2012 and totaled $3.0 million. On August 2, 2012, our Board of Directors declared a quarterly dividend on our common stock in the amount of $0.14 per share, to be paid on October 12, 2012 to stockholders of record on September 14, 2012.

Under the tax matters agreement entered into between us and NTELOS, we are generally required to indemnify NTELOS against any tax resulting from the Distribution to the extent that such tax resulted from any of the following events (among others): (1) an acquisition of all or a portion of our stock or assets, whether by merger or otherwise, (2) any negotiations, understandings, agreements or arrangements with respect to transactions or events that cause the Distribution to be treated as part of a plan pursuant to which one or more persons acquire, directly or indirectly, stock representing a 50% or greater interest in Lumos Networks, (3) certain other actions or failures to act by us, or (4) any breach by us of certain of our representations or undertakings. Our indemnification obligations to NTELOS and its subsidiaries, officers and directors are not limited by any maximum amount.

Pursuant to the separation and distribution agreement and certain other agreements with NTELOS, NTELOS agreed to indemnify us from certain liabilities, and we agreed to indemnify NTELOS for certain liabilities.

After considering the cost to service the Credit Facility as well as fund the anticipated level of capital expenditures and fund other routine items such as income taxes, interest and scheduled principal payments, we anticipate that we will generate sufficient cash flow to enable us to pay a regular quarterly dividend. All decisions regarding the declaration and payment of dividends will be at the discretion of our board of directors and will be evaluated from time to time in light of our financial condition, earnings, growth prospects, funding requirements and restrictions under our credit agreement, applicable law and other factors our board deems relevant.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements or financing activities with special purpose entities.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. ASU No. 2011-04 was issued concurrently with IFRS 13, *Fair Value Measurement*, to provide largely identical guidance about fair value measurement and disclosure requirements. The new standards do not extend the use of fair value but, rather, provide guidance on how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. We are required to apply this ASU prospectively for interim and annual reporting periods beginning after December 15, 2011. This pronouncement did not have a material impact on our valuation techniques and related inputs.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. This ASU increases the prominence of other comprehensive income in financial statements. Under this ASU, an entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The ASU eliminates the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. An entity should apply this ASU retrospectively. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. We have complied with the requirements of this pronouncement by providing a condensed consolidated statement of comprehensive income, which follows the condensed consolidated statement of operations in this quarterly report on Form 10-Q.

In September 2011, the FASB issued ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This ASU permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity can support the conclusion that it is not more than likely than not that the fair value of a reporting unit is less than its carrying amount, it would not need to perform the two-step impairment test for that reporting unit. This ASU is effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011. We do not anticipate that this ASU will have a material impact on the process for our annual testing of goodwill, which is performed in October of each year.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks primarily related to interest rates. We paid the $177.1 million balance due to NTELOS Inc. on the effective date of the Business Separation (October 31, 2011) by entering into the $370 million post-Business Separation credit facility. As of June 30, 2012, $317.0 million was outstanding under our Credit Facility. As of June 30, 2012, we had a leverage ratio of 3.50:1.00 and an interest coverage ratio 8.23:1.00, both of which are favorable to any future covenant requirement. We have other fixed rate, long-term debt in the form of capital leases totaling $1.8 million as of June 30, 2012.

Under the terms of our Credit Facility, we were required to enter into an interest rate hedge for three years on 50% of the term loans (approximately $155 million). In February 2012, we entered into a 3% interest rate CAP for February 2012 through December 31, 2012 and a delayed interest rate swap agreement from December 31, 2012 through December 31, 2015 whereby we swap three-month LIBOR with a fixed rate of approximately 0.8% on 50% of the term loan balances outstanding. We will be exposed to interest rate risk on the remaining 50% of the term loan balances and 100% of the revolver outstanding balance. We do not purchase or hold any financial derivative instruments for trading purposes.

At June 30, 2012, our financial assets in the combined balance sheets included unrestricted cash of $2.8 million. Other securities and investments totaled $0.3 million at June 30, 2012.

The following sensitivity analysis indicates the impact at June 30, 2012, on the fair value of certain financial instruments, which would be potentially subject to material market risks, assuming a ten percent increase and a ten percent decrease in the levels of our interest rates:

(In thousands)	Book Value	Fair Value	Estimated fair value assuming noted decrease in market pricing	Estimated fair value assuming noted increase in market pricing
Credit Facility	$ 317,000	$ N/M	$ 348,700	$ 285,300
Capital lease obligations	$ 1,832	$ 1,832	$ 2,015	$ 1,649

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in routine litigation in the ordinary course of our business, including litigation involving disputes relating to billings by us to other carriers for access to our network. We do not believe that any pending or threatened litigation of which we are aware will have a material adverse effect on our financial condition, results of operations or cash flows (see Note 11, Commitments and Contingencies).

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors (pages 11 to 23) in our Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect our business, financial condition or future results. The risks described in the Annual Report on Form 10-K and Quarterly Report on Form 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may have a materially adverse affect our business, financial condition and/or operating results.

We do not believe that there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 5. Other Information.

None.

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Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
10.1*	Agreement with Michael B. Moneymaker dated April 30, 2012
31.1*	Certificate of Timothy G. Biltz, Chief Executive Officer pursuant to Rule 13a-14(a)
31.2*	Certificate of Harold L. Covert, Executive Vice President and Chief Financial Officer pursuant to Rule 13a-14(a)
32.1*	Certificate of Timothy G. Biltz, Chief Executive Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certificate of Harold L. Covert, Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

Lumos Networks Corp.

By: /s/ Timothy G. Biltz
Name: Timothy G. Biltz
Title: Chief Executive Officer

By: /s/ Harold L. Covert
Name: Harold L. Covert
Title: Chief Financial Officer

CONFIDENTIAL

April 30, 2012

Michael B. Moneymaker
201 Alta Drive
Stuarts Draft, Virginia 24477

Re: Agreement

Dear Mike:

This letter agreement sets forth the complete terms under which your employment with Lumos Networks Corp. (the "Company") will cease.

1. Retirement Date. Your employment with the Company is ceasing and your last day of employment with the Company will be April 30, 2012 (your "Retirement Date"). After your Retirement Date, you will no longer be an employee or a member of the board of directors of the Company or any parent, subsidiary or affiliate of the Company. You also hereby waive any claim for future employment with the Company or any parent, subsidiary or affiliate of the Company.

2. Benefits. As consideration for the General Release described in paragraph 9 of this letter agreement and the other consideration described herein, the receipt and adequacy of which are hereby acknowledged, the Company will provide you with the following benefits:

(a) *Payments*. You, and after your death, your beneficiary, will receive fifty percent (50%) of your base salary in effect as of the date of this letter for twenty-four (24) months in such periodic installments, not less frequently than monthly, as were being paid immediately prior to the Retirement Date, beginning with a lump sum payment on the first payroll date occurring after the six months following your Retirement Date or, if earlier, your death, equal to the payments you would have received prior to such date had the payments commenced immediately following your Retirement Date, and subsequent installments in equal periodic installments thereafter, less any sums which may be required to be deducted or withheld under applicable provisions of law; and

(b) *Non-Compete Payments*. You, and after your death, your beneficiary, will receive non-compete payments in an amount equivalent to fifty percent (50%) of your base salary in effect as of the date of this letter for twenty-four (24) months in such periodic installments, not less frequently than monthly, as were being paid immediately prior to the Retirement Date, beginning with a lump sum payment on the first payroll date occurring after the six months following your Retirement Date or, if earlier, your death, equal to the payments you would have received had the payments commenced immediately following your Retirement Date, and subsequent installments in equal periodic installments thereafter, less any sums which may be required to be deducted or withheld under applicable provisions of law; and

(c) *TIP*. You will be paid a TIP amount on the same terms as are set forth in Section 4(c)(ii) of your Employment Agreement dated July 29, 2011, which is attached as Exhibit A (your "Employment Agreement"). This TIP amount will be the net present value equivalent, as determined by the Board of Directors of the Company, in their reasonable discretion, of two (2) times your target Incentive Payment of one hundred percent (100%) of your base salary, and will be paid, to you, or in the event of your death, your beneficiary, no later than two and a half (2 1/2) months after the Retirement Date, less any sums which may be required to be deducted or withheld under applicable provisions of law.

Nothing in this letter agreement shall be deemed an admission by the Company or any parent, subsidiary or affiliate of the Company, or by you, of any violation of any agreement, statute, law, or right or of any wrongdoing of any kind.

3. Employee Benefits. You also will receive the following employee benefits:

(a) Continuation of medical coverage for you and your dependents under the Company's post-retirement medical benefit plan ("OPEB") in accordance with its terms beginning immediately after your Retirement Date regardless of whether you or your eligible dependents are otherwise eligible to participate in OPEB. The Company will include and report in your taxable income the portion of the monthly OPEB premium payments that the Company pays on your and your eligible dependents' behalf, and you will be required to pay any sums which may be required to be deducted or withheld with respect to such amounts under applicable provisions of law. Such coverage will continue for the same period as generally provided under OPEB for otherwise eligible employees.

(b) Continuation of vision and dental coverage for you and your eligible dependents under the Company's vision plan in accordance with its terms beginning immediately after your Retirement Date, regardless of whether you or your eligible dependents are otherwise eligible to participate in such plan, and continuing for twenty-four (24) months after the Retirement Date. You will be required to pay the full premium if you elect to continue that coverage at the same rate as eligible active employees.

(c) Your current life insurance and accidental death and dismemberment coverage for you and your eligible dependents will terminate as of the Retirement Date unless you elect to convert such coverage to an individual policy in accordance with the terms of the current policy. You will be required to pay the full premium if you elect to continue such coverage. In lieu of reimbursing you for the cost of any continued term life insurance or accidental death and dismemberment coverage for you and your eligible dependents, you, or after your death, your beneficiary, will receive a one-time lump sum payment in the amount of $4,000, less any sums which may be required to be deducted or withheld under applicable law, no later than two and one half (2 1/2) months after the Retirement Date.

(d) As an additional payment, you, or in the event of your death, your beneficiary, will receive a lump sum amount, equal to one-third (1/3) of your annual base salary as of the date of this letter, less any sums which may be required to be deducted or withheld under applicable law, no later than two and one half (2 1/2) months after the Retirement Date.

(e) You will receive your vested benefits under the Company's Retirement Plan for Employees of Lumos Networks Corp. and the Company's Executive Supplemental Retirement Plan, at a level based on the sum of your age and years of benefit service under such Plans had you remained employed through December 31, 2012, in accordance with their terms. The amount of these benefits as calculated by New York Life is set forth on Exhibit B attached hereto; provided that the Company makes no representation or warranty as to the accuracy of such calculation. You also will receive benefits under the Company's Savings and Security Plan in accordance with its terms.

(f) You and your dependents' rights to benefits under the Company's employee benefit plans in which you participate, if any, will be determined in accordance with the applicable plan documents, except as otherwise set forth herein.

(g) Notwithstanding any other provision hereof, if any of the payments to be made or benefits to be provided pursuant to Section 2 or this Section 3 constitute nonqualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended, (the "Code"), payable upon a separation from service, then such payments or benefits will be delayed, to the extent required under Section 409A of the Code, until six (6) months after the Retirement Date or, if earlier, your death (the "409A Deferral Period"). In the event any such payments would otherwise have been made in the 409A Deferral Period, the payments shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. In the event any of the foregoing benefits are deferred, any such benefit may be provided during the 409A Deferral Period at your expense, with you having the right to reimbursement from the Company as soon as the 409A Deferral Period ends, and the balance of the benefits will be provided as otherwise scheduled.

4. Standard Payments. You, and after your death, your beneficiary, will receive payments for earned and unpaid base salary accrued through your Retirement Date and unreimbursed business and entertainment expenses incurred or otherwise payable through your Retirement Date as are reimbursable under the Company's normal policies (payable not later than thirty (30) days after termination). Payment of these items will be made in a manner consistent with normal check processing schedules of the Company. Payment of unreimbursed medical, dental and other employee benefit expenses shall be paid pursuant to the terms of the applicable benefit plans.

5. Company Stock.

(a) Your vested Company Stock Options are set forth on Exhibit C attached hereto and will be exercisable in accordance with the Company's 2011 Equity and Cash Incentive Plan and the related award agreements for three (3) months after the Retirement Date.

(b) Any Options and Restricted Stock that you now hold that are not set forth on Exhibit C will not be vested as of your Retirement Date and will be forfeited without any payment therefore.

6. Accord and Satisfaction. You agree to sign and be bound by this letter agreement in order to receive from the Company those benefits described in paragraphs 2, 3 and 5 to which

you would not have been otherwise entitled in the absence of this letter agreement. By signing this letter agreement, you accept the benefits described herein as a final accord and satisfaction of all payments and benefits due you from the Company or any parent, subsidiary or affiliate relating to your employment, including, without limitation, any amounts that may be due you under the terms of your Employment Agreement, and you hereby waive any rights to receive any other payments and benefits from the Company or any parent, subsidiary or affiliate of the Company other than as described in this letter agreement, including without limitation, any payments and benefits to which you may be entitled under your Employment Agreement. You also acknowledge that you are not entitled to receive any payments or benefits under any severance plan, arrangement, program or policy of the Company or any parent, subsidiary or affiliate of the Company. Except as otherwise provided herein, this letter agreement constitutes the final and entire agreement between you and the Company on the subject matter herein, and no other representation, promise, or agreement has been made to cause you to sign this letter agreement. All other agreements regarding your employment or the subject matter therein shall be superceded by this letter agreement, except as expressly set forth herein.

7. Company Property. Upon the reasonable request of the Company, and upon reasonable notice, you agree to return all Company property that is in your possession or in your home. Such items include but are not limited to gas cards, credit cards, computers, wireless handsets and accessories, files, and reports.

8. Non-Competition and Confidential Information. You agree, acknowledge and affirm that Sections 5, 8 (other than Section 8(i)), 10, 11, 13 and 15 of your Employment Agreement remain in full force and effect and are not superceded, merged or otherwise affected by this letter agreement and that you will continue to be bound by the terms and conditions of Sections 5, 8 (other than Section 8(i)), 10, 11, 13 and 15 of your Employment Agreement. You further agree that the covenants, prohibitions and restrictions contained in this letter agreement are in addition to, and not in lieu of, any rights or remedies that the Company may have available pursuant to the foregoing sections of your Employment Agreement or the laws of any jurisdiction, or the common law or equity, and the enforcement or non-enforcement by the Company of its rights and remedies pursuant to this letter agreement shall not be construed as a waiver of any other rights or remedies that it may possess. Any breach by you of this paragraph 8, or of Sections 5 and 8 (other than Section 8(i)) of your Employment Agreement, shall be grounds for termination of any payments to be made or benefits to be delivered hereunder. Additionally, in the event of any such breach, you agree to repay the Company any benefits described in paragraphs 2, 3 and 5 of this letter agreement that you previously received pursuant to this letter agreement, that you would not have been entitled to receive absent this letter agreement.

9. General Release. For and in consideration of the payments and promises set forth in this letter agreement, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, you hereby release, acquit, and forever discharge the Company, NTELOS Holdings Corp. and all their affiliates, parents, subsidiaries, partners, joint venturers, owners, and shareholders, and all of their officers, directors, employees, representatives, and agents, and all successors and assigns thereof (each a “Released Party”), from any and all claims, charges, complaints, demands, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, entitlements, costs, losses, debts, and expenses (including

attorneys' fees and legal expenses), of any nature whatsoever, known or unknown, which you now have, had, or may hereafter claim to have had against the Company or any other Released Party, of any kind or nature whatsoever, arising from any act, omission, transaction, matter, or event which has occurred or is alleged to have occurred up to the date you execute this letter agreement.

The claims knowingly and voluntarily released herein include, but are not limited to, all claims relating in any way to your employment with the Company or any Released Party, or the conclusion of that employment, whether such claims are now known or are later discovered, including claims under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 1981, the Americans with Disabilities Act, the Family and Medical Leave Act, the Fair Labor Standards Act or other federal or state wage and hour laws, the Employee Retirement Income Security Act, claims for breach of contract, infliction of emotional distress, claims under any other federal or state law pertaining to employment or employment benefits, and any other claims of any kind based on any contract, tort, ordinance, regulation, statute, or constitution; provided, however, that nothing in this Agreement shall be interpreted to release any claims which you may have for workers compensation benefits. You acknowledge that this letter agreement is a complete defense and shall constitute a full and final bar to any claim by you based on any act, omission, transaction, matter, or event which has occurred or is alleged to have occurred up to the date you execute this letter agreement.

10. Non-Disparagement. You agree not to make any statement or take any action that criticizes or disparages the Company, any Released Party or their parents, subsidiaries or affiliates, their employees, officers, directors, representatives and agents, their management or their practices or that disrupts or impairs their normal operations; and the Company, the Released Parties and their parents, subsidiaries and affiliates agree not to take any action that criticizes or disparages you, except that nothing in this letter agreement shall be interpreted to limit either of our rights to confer with counsel or to provide truthful testimony pursuant to subpoena, notice of deposition or as otherwise required by law. This provision is in addition to, and not in lieu of, the substantive protections under applicable law relating to defamation, libel, slander, interference with contractual or business relationships, or other statutory, contractual, or tort theories.

11. Receipt and Effective Date. You acknowledge that you have read and understand this letter agreement, that you are hereby provided a period of twenty-one (21) calendar days to consider its terms, and that you are hereby advised in writing to discuss its terms with an attorney or other advisor before executing the letter agreement, and that your execution is purely voluntary. This letter agreement will not become effective and enforceable until seven (7) days after your execution. You further understand that you may revoke this letter agreement within seven (7) calendar days after you have signed it by delivering written notice of revocation to Vice President, Human Resources, Lumos Networks Corp., 1154 Shenandoah Village, Waynesboro, VA 22980. If the end of such revocation period falls on a Saturday, Sunday or legal holiday in the Commonwealth of Virginia, the revocation period shall be extended until the next day that is not a Saturday, Sunday or legal holiday in the Commonwealth of Virginia. Notwithstanding anything contained herein to the contrary, you understand and agree that, if you fail to sign the letter agreement on or before the expiration of twenty-one (21) days of the day you received it, or if you revoke the letter agreement before the expiration of the revocation

period, this letter agreement shall be canceled and void and neither party shall have any rights or obligations arising under it, and you will not be entitled to receive any payments or benefits under this letter agreement not otherwise payable absent this letter agreement. Notwithstanding any other provision of this letter agreement, no payments or benefits shall be made hereunder for the thirty (30) days immediately following the Retirement Date. Any payments to be made or benefits to be delivered during such thirty (30) days will be delayed until the expiration of such thirty (30) days period. Any payments that would otherwise have been paid during that time shall be accumulated and paid in a lump sum immediately after the expiration of such period. Any benefit to be delivered during such time may be continued at your expense, with you having the right to reimbursement immediately after the expiration of such period. You further acknowledge that the benefits set forth in paragraphs 2, 3 and 5 herein would not be otherwise payable in the absence of your agreement of the General Release in paragraph 9.

12. Severability. Except as set forth below, the terms, conditions, covenants, restrictions, and other provisions contained in this letter agreement are separate, severable, and divisible. If any term, provision, covenant, restriction, or condition of this letter agreement or part thereof, or the application thereof to any person, place, or circumstance, shall be held to be invalid, unenforceable, or void, the remainder of this letter agreement and such term, provision, covenant, or condition shall remain in full force and effect to the greatest extent practicable and permissible by law, and any such invalid, unenforceable, or void term, provision, covenant, or condition shall be deemed, without further action on the part of the parties hereto, modified, amended, limited, or deleted to the extent necessary to render the same and the remainder of this letter agreement valid, enforceable, and lawful. In the event that any portion of the General Release in paragraph 9 is deemed void or unenforceable, the Company shall have no further obligation to provide any further benefits under paragraphs 2 and 3 above, and you agree to repay any benefits that have been paid or delivered previously.

13. Taxes. You shall be responsible for any tax consequences of any payments made pursuant to this letter agreement, except for any applicable taxes that the Company withholds. You acknowledge and agree that the Company is not undertaking to advise you with respect to any tax consequences of this letter agreement, and that you are solely responsible for determining those consequences and satisfying all of your applicable tax obligations resulting from any payments described herein.

14. Assignment. Your rights and obligations under this letter agreement are personal to you and may not be transferred by you by assignment or otherwise.

15. Non-Waiver. Neither any course of dealing nor any failure or neglect of either party hereto in any instance to exercise any right, power, or privilege hereunder or under law shall constitute a waiver of that right, power, or privilege or of the same right, power, or privilege in any other instance. Any waiver by either party hereto must be contained in a written instrument signed by the party to be charged with such waiver and, in the case of the Company, by its Chief Executive Officer.

16. Acknowledgements. You acknowledge that you have read this letter agreement and understand its terms. You have been provided with a full and fair opportunity to consult with an attorney of your choosing and to obtain any and all advice you deem appropriate with

respect to this letter agreement. In light of the foregoing, you are satisfied with the terms of this letter agreement and agree that its terms are binding upon you.

17. Non-Disclosure. You covenant and agree that you will not disclose the existence or terms of this letter agreement to any person except (i) licensed attorney(s) for the purpose of obtaining legal advice, (ii) licensed or certified accountant(s) for purposes of preparing tax returns or other financial services, (iii) proceedings to enforce the terms of this letter agreement, or (iv) as otherwise required by law or court order. However, nothing herein shall limit your ability to confer with legal counsel, to testify truthfully under subpoena or court order, or to cooperate with an investigation by a municipal, state or federal agency for enforcement of laws, and you may disclose the existence or terms of this letter agreement to your spouse or other immediate family, including your parents, provided you take reasonable measures to assure that she or they do not disclose the existence or terms of this letter agreement to a third party, except as otherwise allowed herein. The foregoing non-disclosure will not apply to the existence and terms of this letter agreement on and after, but only to the extent that, they become public knowledge upon any filing with the SEC.

18. Previous Agreements. You agree and specifically acknowledge that the Company and you are entering into this letter agreement for the purpose of amicably resolving any and all issues relating to your employment with the Company and its cessation. This letter agreement supercedes any previous agreement(s), whether written or oral, that you may have had with the Company or any parent, subsidiary or affiliate, including your Employment Agreement, and any other such agreement is merged into and extinguished by this letter agreement, except as expressly provided otherwise in this letter agreement.

19. Governing Law and Interpretation. This letter agreement shall be deemed to be made in, and in all respects shall be interpreted, construed, and governed by and in accordance with the laws of the Commonwealth of Virginia, notwithstanding any choice of law provisions otherwise requiring application of other laws. It shall be interpreted according to the fair meaning of the terms herein and not strictly in favor of, or against, either party.

20. Amendments. No amendment or modification of this letter agreement shall be binding or effective for any purpose unless made in a writing signed by the party against whom enforcement of such amendment or modification is sought.

21. Section 409A. Notwithstanding any other provision of this letter agreement, it is intended that any payment or benefit provided hereto that is considered nonqualified deferred compensation subject to Section 409A of the Code will be provided and paid in a manner, and at such time and in such form, as complies with the applicable requirements of Section 409A of the Code. For purposes of this letter agreement, all rights to payments and benefits hereunder will be treated as rights to a series of separate payments and benefits to the fullest extent allowable by Section 409A of the Code. Notwithstanding any other provision of this letter agreement, however, neither the Company nor any of its Released Parties shall be liable to you in the event any provision of this letter agreement fails to comply with, or be exempt from, Section 409A of the Code.

22. Beneficiary. You may designate one or more individuals or entities as your beneficiary under this Agreement and change any prior beneficiary designation, so long as such designation or change in designation is in writing and delivered to Vice President, Human Resources or his successor, at the address set forth in paragraph 11 above, prior to your death. In the absence of a valid beneficiary designation, or should your designated beneficiary predecease you, your estate shall be your beneficiary. Your beneficiary shall be entitled to receive any payments owed to you after your death, and to exercise any rights you had prior to your death, to the extent such payments or rights are to continue after your death.

23. Indemnification. Nothing in this letter agreement shall affect your right to indemnification for any claims or liabilities arising from your acts and/or omissions as an officer or director of the Company to the extent provided by law or the governing documents of the Company.

Please sign, date, and have Notarized in the space below to accept the terms of your termination of employment from the Company and return the executed letter to me for the Company's files. If you have any questions, please let me know.

Sincerely,

LUMOS NETWORKS CORP.

By:_________________________________

Timothy G. Biltz
President and Chief Executive Officer

IN WITNESS WHEREOF, the undersigned have signed and executed this Agreement on the dates set forth below as an expression of their intent to be bound by the foregoing terms of this Agreement.

By: _____________________________________

Michael B. Moneymaker Date

Sworn to and subscribed
before me this _______ day
of _______________, 2012.

____

Notary Public
[Seal]

Exhibit 31.1

CERTIFICATIONS

I, Timothy G. Biltz, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three and six months ended June 30, 2012 of Lumos Networks Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Omitted pursuant to SEC Release No. 34-54942];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2012

/s/ Timothy G. Biltz
Timothy G. Biltz
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Harold L. Covert, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three and six months ended June 30, 2012 of Lumos Networks Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Omitted pursuant to SEC Release No. 34-54942];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2012

/s/ Harold L. Covert

Harold L. Covert
Executive Vice President, Chief Financial Officer
and Treasurer

Exhibit 32.1

LUMOS NETWORKS CORP.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Lumos Networks Corp. (the “Company”) on Form 10-Q for the three and six months ended June 30, 2012 (the “Report”), I, Timothy G. Biltz, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Timothy G. Biltz
Timothy G. Biltz
Chief Executive Officer

August 2, 2012

Exhibit 32.2

LUMOS NETWORKS CORP.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Lumos Networks Corp. (the "Company") on Form 10-Q for the three and six months ended June 30, 2012 (the "Report"), I, Harold L. Covert, Executive Vice President, Chief Financial Officer and Treasurer of the Company, do hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Harold L. Covert
Harold L. Covert
Executive Vice President, Chief Financial Officer and Treasurer

August 2, 2012