
LICT CORPORATION

Quarterly Report for period ended March 31, 2013

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LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 31, 2013	December 31, 2012	March 31, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,945	\$ 9,030	\$ 8,598
Receivables, less allowances of \$293, \$319 and \$841, respectively	8,677	9,143	7,663
Material and supplies	3,877	3,807	3,512
Prepaid expenses and other current assets	3,086	3,589	2,772
Total current assets	25,585	25,569	22,545
Property, plant and equipment:			
Land	1,114	1,114	1,114
Buildings and improvements	19,305	19,370	19,085
Machinery and equipment	302,016	299,652	289,501
	322,435	320,136	309,700
Accumulated depreciation	(226,551)	(223,045)	(212,758)
	95,884	97,091	96,942
Goodwill	59,465	59,465	59,465
Other intangibles	2,757	2,777	2,913
Investments in and advances to affiliated entities	4,992	4,635	3,355
Other assets	8,390	8,578	8,647
Total assets	\$ 197,073	\$ 198,115	\$ 193,867

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 31, 2013	December 31, 2012	March 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes payable to banks	\$13,602	\$15,162	\$6,352
Trade accounts payable	3,107	4,156	2,541
Accrued interest payable	237	365	329
Accrued liabilities	9,426	8,788	9,774
Current maturities of long-term debt	6,630	6,915	8,869
Total current liabilities	33,002	35,386	27,865
Long-term debt	55,665	56,160	65,394
Deferred income taxes	17,265	17,399	16,650
Liability for unrecognized tax benefits	18	18	37
Other liabilities	5,697	5,731	5,650
Total liabilities	111,647	114,694	115,596
Commitments and contingencies			
Shareholders' equity			
Common stock, \$0.0001 par value-10,000,000 shares authorized; 26,637.50, issued; 22,899.37, 23,125.37 and 23,492.37 outstanding	--	--	--
Additional paid-in capital	16,637	16,637	16,637
Retained earnings	78,769	76,240	70,277
Accumulated other comprehensive income (loss)	(19)	(3)	52
Treasury stock, 3,738.13, 3,512.13 and 3,145.13 shares, at cost	(10,397)	(9,860)	(9,040)
Shareholders' equity attributable to LICT	84,990	83,014	77,926
Noncontrolling interests	436	407	345
Total shareholders' equity	85,426	83,421	78,271
Total liabilities and shareholders' equity	\$197,073	\$198,115	\$193,867

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share data)

	2013	2012
Revenues	\$ 23,467	\$ 23,132
Costs and expenses:		
Cost of revenue, excluding depreciation	10,942	10,563
General and administrative costs at operations	3,391	3,437
Corporate office expenses	754	899
Depreciation and amortization	4,315	4,515
Total Expense	19,402	19,414
Operating profit	4,065	3,718
Other income (expense):		
Investment income	470	555
Interest expense	(1,179)	(1,433)
Equity in earnings of affiliated companies	359	317
Other gains	406	11,559
	56	10,998
Income before income taxes	4,121	14,716
Provision for income taxes	(1,563)	(4,793)
Net income	2,558	9,923
Noncontrolling interests	(29)	(18)
Net income attributable to LICT	\$ 2,529	\$ 9,905
Basic and diluted weighted average shares outstanding	22,953.58	23,535.14
Basic and diluted earnings per share:		
Net income	\$ 111.44	\$ 421.62
Net income attributable to LICT	\$ 110.18	\$ 420.86
Net earnings per share, included above, attributable to:		
Other gains	\$ 10.79	\$ 324.15
Expiration of uncertain income tax positions	\$ --	\$ 14.02
Basic and diluted earnings per share excluding unusual items		
Net income before non-controlling interests	\$ 100.65	\$ 83.50
Net income attributable to LICT	\$ 99.39	\$ 82.73

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands, except share data)

	Shares of Common Stock Out- standing	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Non- controlling Interest	Total
Balance at December 31, 2012	23,125	\$ --	\$ 16,637	\$ 76,240	\$ (3)	\$ (9,860)	\$ 407	\$ 83,421
Net income for the period	--	--	--	2,529	--	--	29	2,558
Unrealized loss on available for sale securities, net	--	--	--	--	(16)	--		(16)
Comprehensive income								2,542
Purchase of Treasury Stock	(226.00)	--	--	--	--	(537)		(537)
Balance at March 31, 2013	22,899	\$ --	\$ 16,637	\$ 78,769	\$ (19)	\$ (10,397)	\$ 436	85,426

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	2013	2012
Operating activities:		
Net Income attributable to LICT	\$ 2,529	\$ 9,905
Adjustments to reconcile net income attributable to LICT to net cash provided by operating activities:		
Depreciation and amortization	4,314	4,515
Equity in earnings of affiliated companies	(359)	(317)
Distributions received from affiliated companies	--	866
Other gains	(406)	(11,559)
Uncertain income tax benefit	--	(330)
Noncontrolling interest	29	18
Changes in operating assets and liabilities:		
Accounts receivables	466	641
Income tax payable/ receivable	1,204	4,743
Accounts payable and accrued liabilities	(1,437)	(1,712)
Other	(49)	(239)
Net cash provided by operating activities	<u>6,291</u>	<u>6,531</u>
Investing activities:		
Capital expenditures	(3,426)	(2,383)
Stimulus grant spending	(251)	(468)
Stimulus grant recoveries	397	469
Proceeds from sale of spectrum	--	12,312
Proceeds from sale of CATV assets	499	--
Other	239	179
Net cash provided by (used in) investing activities	<u>(2,542)</u>	<u>10,109</u>
Financing activities:		
Issuance of long term debt	458	201
Repayments of long term debt	(1,195)	(10,668)
Net repayment on lines of credit	(1,560)	(9,183)
Purchase of treasury stock	(537)	(97)
Net cash used in financing activities	<u>(2,834)</u>	<u>(19,747)</u>
Net increase (decrease) in cash and cash equivalents	915	(3,107)
Cash and cash equivalents at beginning of period	9,030	11,705
Cash and cash equivalents at end of period	<u>\$ 9,945</u>	<u>\$ 8,598</u>
Cash paid for:		
Interest expense	\$ 1,191	\$ 1,466
Income taxes	520	830
Non cash transactions:		
Purchases of property, plant and equipment included in payables or accruals at:		
- End of period	392	153
- Beginning of period	698	359

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Basis of Presentation

LICT Corporation (“LICT” or the “Company”) consolidates the operating results of its subsidiaries. All material intercompany transactions and balances have been eliminated. Investments in affiliates in which the Company does not have a majority voting control, but has the ability to significantly influence management decisions, are accounted for in accordance with the equity method. The Company accounts for the following affiliated companies on the equity basis of accounting: a cellular partnership in California (25% owned) and telecommunications operations in Iowa and New York (5% to 14% owned).

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all of the information and footnotes required for complete financial statements. These consolidated financial statements and footnotes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s annual report for the year ended December 31, 2012. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month periods ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

B. Other gains

In January 2013, the Company’s Utah subsidiary sold a CATV system in Ely, Nevada for \$0.5 million, resulting in a gain, pre-tax of \$0.4 million or, net of income tax, \$10.79 per share.

In February 2012, the Company closed on the sale of its eight 700MHz licenses for \$12.8 million. This resulted in a net gain of \$7.7 million, or \$324 per share.

C. Investments in Affiliated Companies

A subsidiary of LICT owns a 25% partnership interest in a cellular telephone provider in northern California, California RSA #2 (“RSA #2). As of March 31, 2012, December 31, 2011 and March 31, 2011, the net investment in the partnership was \$1.2 million, \$1.6 million and \$3.0 million, respectively. The Company’s share of income, included in Equity in Earnings of Affiliated Companies was \$0.3 million and \$0.5 million in 2012 and 2011, respectively.

D. Indebtedness

LICT maintains a short-term line of credit facility totaling \$17.5 million, which in accordance with the terms of the agreement had been declining by \$0.6 million per quarter starting June 30, 2012. In January 2013, such agreement was modified, restoring the line to the original \$17.5 million. Borrowings under this and earlier facilities were \$13.6 million, \$15.2 million and \$6.4 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively. Borrowing under the line of credit facility are included in Notes payable to banks. Long-term debt consists of (all interest rates are at March 31, 2013) (in thousands):

	March 31, 2013	December 31, 2012	March 31, 2012
Rural Electrification Administration (“REA”) and Rural Telephone Bank (“RTB”) notes payable due quarterly through 2027 at fixed interest rates ranging from 2% to 7.5%. (5.1% weighted average, secured by assets of the telephone companies with a net book value of \$150 million)	\$ 12,640	\$ 13,497	\$ 18,135
Bank Credit facilities utilized by certain telephone and telephone holding companies due through 2017, at variable interest rates averaging 3.4%	15,828	15,696	20,365
Unsecured notes issued in connection with acquisitions at fixed interest rates averaging 8.0%	33,198	33,197	34,735
Other	629	685	1,028
	<u>62,295</u>	<u>63,075</u>	<u>74,263</u>
Current maturities	(6,630)	(6,915)	(8,869)
	<u>\$ 55,665</u>	<u>\$ 56,160</u>	<u>\$ 65,394</u>

E. Comprehensive Income

Other comprehensive income, net of tax, which consists of unrealized gains (losses) on available for sale securities, as of March 31, 2013, December 31, 2012 and March 31, 2012 are as follows (in thousands):

	Unrealized Gain (Loss)	Tax Effect	Net
	<i>(in thousands)</i>		
Balance at December 31, 2012	\$ (5)	\$ 2	\$ (3)
Unrealized losses on available for sale securities, net	(23)	7	(16)
Balance at March 31, 2013	<u>\$ (28)</u>	<u>\$ 9</u>	<u>\$ (19)</u>
Balance at March 31, 2012	<u>\$ 78</u>	<u>\$ (26)</u>	<u>\$ 52</u>

F. Litigation

LICT is a party to routine litigation incidental to its business. Based on information currently available, the Company believes that none of this ordinary routine litigation, either individually or in the aggregate, will have a material effect on its financial condition and results of operations.

G. Related Party Transactions

At March 31, 2013, December 31, 2012 and March 31, 2012, assets of \$4.3 million, \$3.8 million and \$4.6 million, which are classified as cash and cash equivalents, are invested in United States Treasury money market funds for which affiliates of the Company’s Chairman and Chief Executive Officer serve as investment manager to the respective funds.

MANAGEMENT'S DISCUSSION OF OPERATIONS

This discussion should be read together with the Consolidated Financial Statements of LICT Corporation and the notes thereto.

RESULTS OF OPERATIONS

Overview

LICT provides an array of communications services in rural areas. Our history is principally as an operator of rural telephone service (known as Rural Local Exchange Carriers, or "RLECs"), with our principal operations in rural parts of New Mexico, Utah, Michigan, Iowa, Kansas, California, Wisconsin, New York and New Hampshire. As the technologies have evolved, so have our services. We now provide a broad array of communications services to residential, commercial and governmental customers, principally in or near our historic telephone coverage areas.

The U.S. and state governments have long had a policy of subsidizing and encouraging telephone and other communication services in rural areas. RLECs, in particular, including those that form the core of our company, often provide communications services in rural areas where such service would not be economical without significant government subsidies. Such subsidies are derived from numerous federal and state support mechanisms, which are generally referred to as Universal Service Funds ("USF"). Such programs evolve constantly to take into consideration new technologies and to encourage RLECs to invest in new technologies and new services to the consumers. In addition, what we can charge for some of our services is often regulated by various public utility commissions. We devote considerable management attention to understanding, utilizing and adhering to these different governmental programs, incentives and regulatory structures. While there is no certainty that such programs will continue at the same levels of subsidy as they have in the past, we believe that the various governmental agencies will continue to encourage economical means of communication for people living in rural areas. People are communicating more, and in more ways, than ever before. We believe this is an opportunity for us, especially as rural customers demand additional and better communications infrastructure.

The advent and spreading acceptance of the Internet has been a significant growth area for our company. The number of our DSL subscribers, for example, has grown significantly in recent years. This has been offset, in part, by reductions in the number of traditional telephone lines, as consumers replace traditional telephone connections with new technologies. We expect such shifts in consumer behavior to continue and we intend to continue to move our company in the direction of being a communications provider, whatever the technology, rather than simply being a provider of rural telephone connections.

First quarter ended March 31, 2012 compared to 2011

The following is a breakdown of revenues and operating costs and expenses (in thousands):

	<u>2013</u>	<u>2012</u>
Regulated revenues:		
Local access	\$ 2,613	\$ 2,796
Interstate access	8,726	8,845
Intrastate access	2,498	2,610
Other regulated	456	477
Total regulated revenues	<u>14,293</u>	<u>14,728</u>
Broadband and other non-regulated	<u>9,174</u>	<u>8,404</u>
Total revenues	<u>23,467</u>	<u>23,132</u>
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	10,942	10,563
General and administrative costs at operations	3,391	3,437
Corporate office expenses	754	899
Depreciation and amortization	<u>4,315</u>	<u>4,515</u>
Total	<u>19,403</u>	<u>19,414</u>
Operating profit	<u>\$ 4,065</u>	<u>\$ 3,718</u>

Total revenues in 2013 increased \$0.3 million, or 1.4%, to \$23.5 million compared to \$23.1 million in 2012. Our non-regulated revenues, primarily broadband services, grew by 9.2% which more than offset the 3.0% decline in regulated revenues. Local access revenue decreased \$0.2 million resulting from a 4.7% decrease in access lines offset by the sale of additional services and features. The decrease in access lines is due to the shift by consumers from landline to wireless and VOIP services. Interstate access revenue decreased \$0.1 million in 2013, due to a reduction of minutes of use, and reduced USF funding due to a lower rate base at several of our operations. Intrastate access revenue decreased \$0.1 million due to a reduction of minutes of use at several of our companies. Revenues broadband and other non-regulated services increased \$0.8 million primarily due to the sale of additional broadband circuits outside of our regulated service territory, additional video revenue and the sale of communications equipment.

Total costs and expenses were \$19.4 million in both 2013 and 2012. Costs of revenue increased \$0.4 million, primarily due to increased costs from the growing internet and cable television operations as well as start up costs for certain CLEC operations. General and administrative costs incurred at the operations decreased less than \$0.1 million. Corporate office expenses decreased \$0.1 million. Depreciation and amortization decreased by \$0.2 million.

As a result of the above, operating profit in 2013 increased by \$0.3 million to \$4.1 million compared to \$3.7 million in 2012.

EBITDA

EBITDA is used by our management as a supplemental financial measure to evaluate the operating performance of our business and, when viewed with our GAAP results and the accompanying reconciliations, we believe it provides a more complete understanding of factors and trends affecting our business than the GAAP results alone. We also regularly communicate our EBITDA to the shareholders through our earnings releases because it is the financial measure commonly used by

analysts that cover the telecommunications industry and by our investor base to evaluate our operating performance. In addition, we routinely use EBITDA as a metric for valuing potential acquisitions. We understand that analysts and investors regularly rely on non-GAAP financial measures, such as EBITDA, to provide a financial measure by which to compare a company's assessment of its operating performance against that of other companies in the same industry. This non-GAAP financial measure is helpful in more clearly reflecting the sales of our products and services, as well as highlighting trends in our core business that may not otherwise be apparent when relying solely on GAAP financial measures, because this non-GAAP financial measure eliminates from earnings financial items that have less bearing on our performance.

LICT's management believes strongly in growing intrinsic value as a long-term prescription for managing an enterprise's health. Our local management teams run their respective businesses as stand-alone, entrepreneurial units although we attempt to use economies of scale and other efficiencies (such as joint purchasing) where they are available. We believe that EBITDA is the clearest indicator of the cash flow generating ability and long-term health of such units. We value potential acquisitions on the same basis.

EBITDA refers to, for any period, net income (loss) before all components of "Other income (expense)" (consisting of investment income, interest expense, equity in earnings of affiliates, gains and losses on disposition of or impairment of assets), income taxes, depreciation, amortization, minority interests and income or loss from discontinued operations. EBITDA has been modified to include the cash we received from the equity in earnings of affiliated companies. Although we do not have majority voting control of such companies, we have the ability to significantly influence financial and accounting policies.

The following table provides the components of EBITDA and reconciles it to net income from continuing operations:

	2013	2012
EBITDA from:		
Operating units	\$ 9,134	\$ 9,132
Dividends from equity affiliates	--	557
	9,134	9,689
Corporate expense	(754)	(899)
EBITDA	<u>\$ 8,380</u>	<u>\$ 8,790</u>
Reconciliation to net income:		
EBITDA	\$ 8,380	\$ 8,790
Less dividends from equity affiliates	--	(557)
Depreciation and amortization	(4,315)	(4,515)
Investment income	470	555
Interest expense	(1,179)	(1,433)
Equity in income of affiliates	359	317
Other gains	406	11,559
Income tax	(1,563)	(4,793)
Net income	<u>\$ 2,558</u>	<u>\$ 9,923</u>

Other Income (Expense)

In 2013, investment income decreased by \$0.1 million primarily due to a reduction in patronage dividends.

Interest expense decreased by \$0.3 million in 2012 primarily due to significant reductions in debt outstanding, including a \$7.6 million reduction in debt in February 2012 using proceeds from the sale of spectrum, and lower interest rates.

Equity in earnings of affiliates in 2013 increased by less than \$0.1 million primarily due to consistent earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2.

Other gains result from: in January 2013, the sale by the Company's Utah subsidiary of a CATV system in Ely, Nevada; and in February 2012, the sale by the Company of eight 700MHz spectrum licenses.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2013 and 2012, represent effective tax rates of 37.9% and 32.6%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes. In 2012, the sale of spectrum was not subject to state income tax. In addition, the 2012 quarter included a benefit of \$0.3 million from the expiration of uncertain income tax provisions.

Net Income

Net income in the first quarter of 2013 was \$2.6 million, or \$111.44 per share (basic and diluted), compared to a net income last year of \$9.9 million, or \$421.62 per share (basic and diluted). The 2012 quarter included \$8.0 million combined, or \$338 per share from the sale of spectrum and the expiration of uncertain income tax positions. The Company has no dilutive instruments outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The debt at certain of LICT's subsidiary companies contains restrictions on the amount of funds that can be transferred to their respective parent companies. For the subsidiaries with restrictions, LICT receives cash to meet its obligations primarily through management fees charged to its subsidiaries, dividends, a tax sharing agreement with its subsidiaries, usage of a line of credit facility and by the sale of assets.

Our \$17.5 million line of credit facility with a bank had been decreasing, in accordance with terms of the facility, by \$0.6 million quarterly starting June 30, 2012, with the remaining \$12.7 million due at maturity on June 30, 2014. On January 8, 2013, such agreement was modified, restoring the line to the original \$17.5 million through June 30, 2014 and interest on borrowings decreased to LIBOR plus 4.0%, or 5.0%, from LIBOR plus 5.5%. Management believes this provides adequate liquidity for at least the next twelve months.

LICT was awarded \$6.5 Million of grant and \$1.0 Million of loan stimulus funds from the Department of Agriculture's Rural Utilities Service ("RUS") Broadband Initiatives Program in 2010. In addition, the Company is obligated for an additional \$1.1 million of its own funds to complete such projects. This funding is aimed at expanding broadband access in unserved and underserved portions of the nation. LICT will expand and upgrade broadband service at four of our companies, in New Hampshire, Kansas, California and Utah, with this stimulus funding. As of March 31, 2013: LICT spent \$6.0 million on such stimulus projects, including \$0.2 million in 2013; of which it has recovered \$3.3 million, including \$0.4 million in 2013, and expects to recover an additional \$1.3 million; and has borrowed \$0.8 million.

The Company is obligated under long-term debt provisions and lease agreements to make certain cash payments over the term of the agreements. The following table summarizes, as of March 31, 2013 for

the periods shown, these contractual obligations and certain other financing commitments from banks and other financial institutions that provide liquidity:

	Payments Due by Period (In thousands)				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt, principal only	\$ 62,295	\$ 6,630	\$ 17,934	\$ 23,948	\$ 13,783
Operating leases	6,609	1,182	1,967	1,756	1,704
Notes payable to banks, principal only	13,602	13,602	--	--	--
Interest on debt and notes	15,097	4,550	7,059	3,018	470
Total contractual cash obligations and commitments	\$ 97,603	\$ 25,964	\$ 26,960	\$ 28,722	\$ 15,957

At March 31, 2013, total debt (including notes payable to banks) was \$75.9 million, a decrease of \$2.3 million from December 31, 2012. At March 31, 2013, there was \$46.5 million of fixed interest rate debt outstanding, averaging 7.2%, and \$15.8 million of variable interest rate debt, averaging 3.4%. The debt at fixed interest rates includes \$33.2 million of subordinated notes at interest rates averaging 8.0% issued to sellers as part of acquisitions. The long-term debt facilities at certain subsidiaries are secured by substantially all of such subsidiaries' assets, while at other subsidiaries it is secured by the common stock of such subsidiaries. In addition, the debt facilities contain certain covenants restricting distributions to LICT. The repayment of all debt at our New Mexico and Michigan operations has removed restrictions on up-streaming cash from those operations. At the Company's other subsidiaries, substantially all of the subsidiaries' net assets were restricted.

LICT has a manageable degree of financial leverage. As of March 31, 2013, the ratio of total debt to total EBITDA, on a trailing twelve month basis, was 2.1 to 1. Certain subsidiaries have higher debt to EBITDA profit ratios.

As of March 31, 2013, LICT had current assets of \$25.6 million and current liabilities of \$32.8 million resulting in negative working capital of \$7.3 million compared to negative \$9.8 million at December 31, 2012.

Sources and Uses of Cash

Cash at March 31, 2013, was \$9.9 million, an increase of \$0.9 million compared to December 31, 2012. In the first quarter of 2013, net cash provided by operations of \$6.3 million was primarily used to invest in plant and equipment and repay debt.

In the first quarter, capital expenditures were \$3.4 million in 2013 compared to \$2.4 million in 2012, of which 67% and 55% were spent at the RLECs and, for our cost based companies, will be included in their rate bases for rate setting purposes.

In 2008 through the present, the Company has taken bonus depreciation deductions for eligible property additions as allowed by the Internal Revenue Service of 50%, starting January 1, 2008, 100%, starting September 9, 2010 through December 31, 2011 and 50% starting January 1, 2012. Such deductions which have the effect of reducing current taxes payable, will continue in 2013, but will increase tax payments in future years.

In February 2012, the Company closed on the sale of its eight 700MHz licenses for \$12.8 million. The licenses had a basis of \$0.8 million and net of sales cost and income tax, resulted in a net gain of \$7.7 million, or \$324 per share. Using such proceeds, the Company paid off \$7.6 million of long term debt and a capital lease of its Michigan subsidiary.

The Company received cash distributions from a 25% interest in the Modoc Partnership of \$0.5 million in the first quarter of 2012 compared to zero in the current quarter.

The Company's Board of Directors has authorized the purchase of up to 4,000 shares of the Company's common stock. The Company's bank covenants, however, further restrict share repurchases. Through March 31, 2013, 3,738 shares allowed under the bank covenants had been purchased at an average investment of \$2,781 per share, including 226 shares purchased in 2013 at an average investment of \$2,375 per share.

The Company has not paid any cash dividends since its spin-off from Lynch Corporation in 1999. The Company has spun-off three entities: Morgan Group Holding Co., CIBL Inc., and ICTC Group Inc. Since its spin-off from LICT, CIBL has made cash distributions to shareholders of \$170 per share.