
LICT CORPORATION

Quarterly Report for period ended March 31, 2015

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share amounts)

	March 31, 2015	December 31, 2014	March 31, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	\$23,861	\$ 18,155	\$ 9,820
Receivables, less allowances of \$223, \$232 and \$278, respectively	6,485	6,942	6,707
Material and supplies	3,538	3,256	3,383
Prepaid expenses and other current assets	1,746	1,594	1,504
Deposit with Federal Communications Commission for Auction 97	--	19,000	--
Net assets of discontinued operations	--	--	25,130
Total current assets	35,630	48,947	46,544
Property, plant and equipment:			
Land	936	936	936
Buildings and improvements	16,740	16,611	16,329
Machinery and equipment	297,858	294,285	288,649
	315,534	311,832	305,914
Accumulated depreciation	(228,214)	(223,957)	(217,817)
	87,320	87,875	88,097
Goodwill	48,764	48,764	48,562
Other intangibles	2,049	2,081	2,590
Investments in and advances to affiliated entities	4,976	5,274	5,427
Other assets	9,729	10,208	6,858
Total assets	\$ 188,468	\$ 203,149	\$ 198,078

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share amounts)

	March 31, 2015	December 31, 2014	March 31, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes payable to banks	\$--	\$ --	\$16,600
Note payable to affiliate	--	15,000	--
Trade accounts payable	3,573	3,672	2,737
Accrued interest payable	307	111	149
Accrued liabilities	4,990	4,049	5,845
Current maturities of long-term debt	4,227	4,226	4,865
Net liabilities of discontinued operations	--	--	13,402
Total current liabilities	13,097	27,058	43,598
Long-term debt	52,406	54,240	39,832
Deferred income taxes	18,109	18,292	17,035
Other liabilities	4,756	4,832	5,799
Total liabilities	88,368	104,422	105,468
Commitments and contingencies			
Shareholders' equity			
Common stock, \$0.0001 par value-10,000,000 shares authorized; 26,637.50, issued; 22,242.37, 22,272.37 and 22,423.37 outstanding	--	--	--
Additional paid-in capital	16,637	16,637	16,637
Retained earnings	96,209	94,244	87,030
Treasury stock, 4,395.13, 4,365.13 and 4,214.13 shares, at cost	(12,746)	(12,154)	(11,575)
Shareholders' equity attributable to LICT	100,100	98,727	92,092
Noncontrolling interests	--	--	518
Total shareholders' equity	100,100	98,727	92,610
Total liabilities and shareholders' equity	\$188,468	\$203,149	\$198,078

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2015	2014
Revenues	\$21,108	\$ 21,252
Costs and expenses:		
Cost of revenue, excluding depreciation	9,760	8,920
General and administrative costs at operations	2,788	2,862
Corporate office expenses	716	759
Depreciation and amortization	4,473	4,255
Total Costs and Expenses	<u>17,737</u>	<u>16,796</u>
Operating profit	3,371	4,456
Other income (expense):		
Investment income	243	391
Interest expense	(791)	(1,045)
Equity in earnings of affiliated companies	434	470
Other	3	3
	<u>(111)</u>	<u>(181)</u>
Income before income taxes	3,260	4,275
Provision for income taxes	<u>(1,295)</u>	<u>(1,636)</u>
Net income from continuing operations	1,965	2,639
Net income from discontinued operations	--	110
Net income	<u>\$1,965</u>	<u>\$2,749</u>
Basic and diluted weighted average shares	21,956	22,479
Basic and diluted earnings per share:		
Net income from continuing operations	\$89.52	\$117.39
Net income from discontinued operations	--	4.89
Net income	<u>\$89.52</u>	<u>\$122.28</u>

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	Treasury Stock	Total
Balance at December 31, 2014	22,272.37	\$--	\$16,637	\$94,244	\$(12,154)	\$98,727
Net income for the period	--	--	--	1,965	--	1,965
Purchase of Treasury Stock	(119)	--	--	--	(592)	(592)
Restricted shares issued	89	--	--	--	--	--
Balance at March 31, 2015	22,242.37	\$--	\$16,637	\$96,209	\$(12,746)	\$100,100

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands)

	Three Months Ended March	
	31,	
	2015	2014
Operating activities:		
Net Income from continuing operations	\$1,965	\$2,639
Net Income from discontinued operation	--	110
Net Income	<u>1,965</u>	<u>2,749</u>
Adjustments to reconcile net income attributable to LICT to net cash provided by operating activities:		
Depreciation and amortization	4,501	4,293
Equity in earnings of affiliated companies	(434)	(484)
Distributions received from affiliated companies	625	313
Deferred income tax provision	(190)	(291)
Changes in operating assets and liabilities:		
Accounts receivables	457	369
Income tax payable/ receivable	1,367	1,948
Accounts payable and accrued liabilities	(325)	(2,063)
Other Operating assets and liabilities	(478)	139
Other	(51)	(72)
Net cash provided by operating activities from continuing operations	<u>7,437</u>	<u>6,901</u>
Net cash provided by operating activities from discontinued operations	--	362
Net cash provided by operating activities	<u>7,437</u>	<u>7,263</u>
Investing activities:		
Capital expenditures	(3,920)	(4,042)
Stimulus grant recoveries	--	103
Deposit with FCC for Auction 96	19,000	11,000
Other	144	(7)
Net cash provided by investing activities from continuing operations	<u>15,224</u>	<u>7,054</u>
Net cash used in investing activities from discontinued operations	--	(495)
Net cash provided by provided by investing activities	<u>15,224</u>	<u>6,559</u>
Financing activities:		
Repayments of long term debt	(1,404)	(1,287)
Borrowings related to lines of credit, net	(392)	(600)
Purchase of treasury stock	(592)	(196)
Repayment of loan from affiliate for FCC Deposit	(15,000)	(11,000)
Other	433	284
Net cash used in financing activities from continuing operations	<u>(16,955)</u>	<u>(12,799)</u>
Net cash provided by in financing activities from discontinued operations	--	264
Net cash used in financing activities	<u>(16,955)</u>	<u>(12,535)</u>
Net increase in cash and cash equivalents	5,706	1,287
Cash and cash equivalents at beginning of period	18,155	9,272
Cash and cash equivalents at end of period	<u>23,861</u>	<u>10,559</u>
Less: cash and cash equivalents of discontinued operations at period end	--	739
Cash and cash equivalents of continuing operations at end of period	<u>\$23,861</u>	<u>\$9,820</u>

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

	Three Months Ended March	
	31,	
	2015	2014
Supplemental Information		
Cash paid for:		
Interest expense	\$763	\$ 1,007
Income taxes	52	54
Non cash transactions:		
Purchases of property, plant and equipment included in		
payables or accruals at:		
- End of period	637	116
- Beginning of period	632	976

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 data transport and switching operations in Kansas and Utah (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 condensed 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, 2014. 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, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. 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. 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 2015, December 31, 2014 and March 31, 2014, the net investment in the partnership was \$4,119, \$4,331 and \$4,075 thousands, respectively. The Company’s share of income, included in Equity in Earnings of Affiliated Companies was \$413 and \$391 thousands for the three months ended March 31, 2015 and 2014, respectively, and its share of cash distributions from the partnership for the same periods was \$613 and \$313 thousands, respectively. Summary operating results and balance sheets are as follows, in thousands:

	March 31	
	2015	2014
OPERATING RESULTS		
Three Months Ended		
Revenues	\$5,648	\$5,238
Gross margin	3,011	2,926
Net profit	1,568	1,651
BALANCE SHEET		
Current assets	\$5,556	\$3,584
Property, plant and equipment and Other – net	10,578	10,917
	<u>\$16,134</u>	<u>\$14,501</u>
Current liabilities	\$1,285	\$1,007
Long-term liabilities	2,307	644
Partners’ equity	12,542	12,850
	<u>\$16,134</u>	<u>\$14,501</u>

C. Indebtedness

In December 2014, the Company secured a \$30.0 million line of credit agreement with CoBank, expiring in December, 2017 with an interest rate of LIBOR plus 3.0%. The average balance of notes payable outstanding was \$22.3 million in 2015; the highest amount outstanding was \$22.4 million in 2014; and the average interest rate was 3.2% in 2015.

Long-term debt consists of (all interest rates are at March 31, 2015) (in thousands):

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>	<u>March 31,</u> <u>2014</u>
Rural Electrification Administration (“REA”) and Rural Telephone Bank (“RTB”) notes payable due quarterly through 2027 at fixed interest rates ranging from 2.1% to 7.2%. (5.2% weighted average)	\$5,477	\$6,131	\$8,042
Bank Credit facilities utilized by certain telephone and telephone holding companies due through 2017, at variable interest rate of 2.5%	3,376	3,876	7,780
Revolving credit facility from CoBank, ACB at Brighton Communications Corporation, secured by the assets of certain operations and holding companies at variable interest rate of 3.2%	22,049	22,442	--
Unsecured notes issued in connection with acquisitions at fixed interest rates averaging 7.2%	25,622	25,872	28,488
Other	109	145	387
	<u>56,633</u>	<u>58,466</u>	<u>44,697</u>
Current maturities	(4,227)	(4,226)	(4,865)
	<u>\$52,406</u>	<u>\$54,240</u>	<u>\$39,832</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.

False Claims Act “Qui Tam” Litigation.

The Company previously was named as a defendant in a complaint filed under the so-called “qui tam” provisions of the federal False Claims Act in the United States District Court for the District of New Jersey. The complaint was filed under seal with the court on June 25, 2008 and the seal was lifted on February 2, 2014, shortly after the United States Department of Justice filed a notice with that Court stating that it declined to intervene in the case. Under the False Claims Act, a private plaintiff, termed a “relator,” may file a civil action ostensibly on the U.S. government’s behalf against another party for violation of a federal statute. In return, if the suit is successful, the relator may receive a statutory bounty from the government’s recovery. The main allegation in this complaint related to the treatment by the Company’s telephone subsidiaries and approximately 1,400 other RLECs of funds received from the winding up of the Rural Telephone Bank, which was dissolved in 2006. There is no longer any active proceeding in this matter. The last extension granted by the Court for the plaintiff to serve the complaint expired on October 25, 2014, without service of the complaint on any of the Company’s subsidiaries or any of the other 1400 companies initially named as defendants. In the Order granting that last extension, the Judge made clear that no further extension would be granted without a “detailed certification and legal brief” by the plaintiff

as to why service of the complaint should be allowed. The plaintiff has not made any such filing or given any indication of doing so. In these circumstances the applicable federal statute provides for the dismissal of the complaint. Moreover, the Company believes that this lawsuit would have no merit and, if ever served with such a complaint, would defend the suit vigorously.

G. Related Party Transactions

At March 31, 2015, December 31, 2014 and March 31, 2014, assets of \$18.1, \$13.2 and \$5.5 millions, respectively, 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 data transport and 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, and New Hampshire. As the technologies have evolved, so have our services. We provide a broad array of data transport and 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 support mechanisms 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 support. Such support is derived from numerous federal and state 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

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 data transport and communications provider, whatever the technology, rather than simply being a provider of rural telephone connections.

On December 24, 2014, we closed the sale of our DFT Communications Corporation ("DFT") subsidiary, which holds the telephone companies serving Dunkirk/Fredonia and Casadaga, New York, as well as a Competitive Local Exchange Carrier, or "CLEC" operation. In our financial statements, we are treating the results of the DFT companies as a discontinued operation. Accordingly, in the discussions below on our operating results the contributions of the DFT companies have been excluded from the 2015 and 2014 amounts.

Three months ended March 31, 2015 compared to 2014

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

	<u>2015</u>	<u>2014</u>
Revenues:		
Regulated revenues	12,509	13,817
Non-regulated revenues:		
Broadband and related services	5,366	4,529
Video (including cable modem)	2,095	1,879
Other	1,138	1,027
Total non-regulated revenues	<u>8,599</u>	<u>7,435</u>
Total revenues	<u>21,108</u>	<u>21,252</u>
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	9,760	8,920
General and administrative costs at operations	2,788	2,862
Corporate office expenses	716	759
Depreciation and amortization	<u>4,473</u>	<u>4,255</u>
Total	<u>17,737</u>	<u>16,796</u>
Operating profit	<u>\$3,371</u>	<u>\$4,456</u>

Our non-regulated revenues grew by \$1,164 thousand or 15.7% as compared to 2014. Non-regulated revenues, revenues from broadband services and other non-regulated services, increased primarily due to the sale of additional broadband circuits outside of our regulated service territory, additional video revenue and the sale of communications equipment, specifically our Utah and Iowa operations. Non-regulated revenues currently represent over 40% of our revenue streams and are expected to continue to this growth. Regulated revenues decreased by \$1,308 thousand or 9.5% to \$12,509 thousand. Interstate access revenue decreased \$788 thousand in 2015 due to lower rate basis at certain of our operations, lower industry rates of return and other regulated factors. Intrastate revenues decline by \$481 thousand due to a statewide revenue adjustment by the state of New Mexico and lower minutes of use. Combining the non-regulated and regulated revenues, total revenues in 2015 decreased by \$144 thousand or 0.7%, to \$21,108 thousand compared to \$21,252 thousand in 2014.

Total costs and expenses were \$17,737 thousand in 2015, an increase of \$941 thousand compared to 2014. Costs of revenue increased \$840 thousand primarily due to increased costs from the growing internet and cable television operations. General and administrative costs incurred at the operations decreased by \$0.1 million while corporate office expenses decreased by \$0.1 million. Depreciation and amortization increased by \$0.5 million from 2013 to 2014, due to capital expenditures in 2013 and 2014.

As a result of the above, operating profit in 2015 decreased by \$1,085 thousand from \$4,456 thousand in 2014 to \$3,371 thousand in 2015.

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:

	2015	2014
EBITDA from:		
Operating units	\$8,560	\$9,470
Dividends from equity affiliates	625	313
	9,185	9,783
Corporate expense	(716)	(759)
EBITDA	\$8,469	\$9,024

Reconciliation to net income from continuing operations:

EBITDA	\$8,469	\$9,024
Less dividends from equity affiliates	(625)	(313)
Depreciation and amortization	(4,473)	(4,255)
Investment income	243	391
Interest expense	(791)	(1,045)
Equity in income of affiliates	434	470
Other gains	3	3
Income tax	(1,295)	(1,636)
Net income from continuing operations	\$1,965	\$2,639

Other Income (Expense)

Investment income decreased by \$148 thousand due lower patronage capital for CoBank, ACB due to lower debt balances.

Interest expense decreased by \$254 thousand in 2015 primarily due to reductions in debt outstanding.

Equity in earnings of affiliates decreased \$36 thousand in 2015 primarily due to increased earnings from our 25% partnership interest in a wireless data and communications provider, California RSA #2, offset lower earnings at our other affiliates.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provisions for 2015 and 2014, represent effective tax rates of 39.7% and 38.3%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income from continuing operation the first quarter of 2015 was \$1,965 thousand, or \$89.50 per share (basic and diluted), compared to a net income from continuing operations of \$2,639 thousand, or \$117.40 per share (basic and diluted). In addition, during the 2014 period, DFT, which is currently being treated as a discontinued operation, recorded net income of \$110 thousand or \$4.89 per share. The Company has no dilutive instruments outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Over the last several years, LICT has been repaying all of debt at its subsidiary companies alleviating to some extent the restrictions on the amount of funds that can be transferred within the LICT group of companies. For the subsidiaries with restrictions, and other companies for regulatory purposes, LICT receives cash to meet its obligations primarily through management fees charged to its subsidiaries, dividends, a tax sharing agreement with its subsidiaries.

On December 30, 2014, Brighton Communications Corporation (“Brighton”), a wholly-owned subsidiary of LICT, closed on a \$30 million revolving credit facility from CoBank, ACB. The facility, which expires in December 2017, replaced line of credit facilities previously arranged by LICT. Brighton owns substantially all of the subsidiaries within the LICT consolidated group of companies. As of March 31, 2015, there was \$22.0 million outstanding under this facility, classified as long-term debt. The average balance outstanding under these facilities was \$22.3 million at an average interest rate of 3.2%. Management believes that the current CoBank facility provides adequate liquidity for at least the next twelve months.

On October 14, 2014 a subsidiary of the Company borrowed \$15.0 million from its Chairman and CEO to fund, in part, the \$19.0 million the a subsidiary deposited with the Federal Communications Commission to fund its participation in Auction 97. The loan bears interest at the rate of .38% per year and is due the earlier of 5 days after the Auction 97 deposits are returned from the FCC, or October 14, 2015. The deposit was returned on February and the loan was repaid.

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, 2015 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	\$56,633	\$6,094	\$38,887	\$10,944	\$708
Operating leases	2,517	512	717	471	817
Interest on debt and notes ⁵	5,735	2,474	2,701	460	100
Total contractual cash obligations and commitments	<u>\$64,885</u>	<u>\$9,080</u>	<u>\$42,305</u>	<u>\$11,875</u>	<u>\$1,625</u>

At March 31, 2015, total debt was \$56,633 thousand, a decrease of \$1,832 thousand from December 31, 2014. At March 31, 2015, there was \$31,208 thousand of fixed interest rate debt outstanding, averaging 6.7%, and \$25,425 thousand of variable interest rate debt, averaging 3.0%. The debt at fixed interest rates includes \$25,622 thousand of subordinated notes at interest rates averaging 7.1% 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.

LICT has a manageable degree of financial leverage. As of March 31, 2015, the ratio of total debt to total EBITDA, on a trailing twelve month basis, was 1.6 to 1. Certain subsidiaries have higher debt to EBITDA profit ratios.

As of March 31, 2015, LICT had current assets of \$35.6 million and current liabilities of \$13.1 million resulting in working capital of \$12.5 million compared to \$2.9 million at March 31, 2014.

Sources and Uses of Cash

Cash at March 31, 2015, was \$23.9 million, an increase of \$5.7 million compared to December 31, 2014. In the three months of 2015, net cash provided by operations of \$7.4 million was primarily used to invest in plant and equipment and repay debt. In the three months, capital expenditures were \$3.9 million in 2015 compared to \$4.0 million in 2014.

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, 2013. Such deductions which have the effect of reducing current taxes payable, but will increase tax payments in future years.

The Company received cash distributions from a 25% interest in the Modoc Partnership of \$0.6 million in the three months of 2015 compared to \$0.3 million in 2014.

The Company's Board of Directors has authorized the purchase of up to 5,000 shares of the Company's common stock. Through March 31, 2015, 4,364 shares have been purchased at an average investment of \$2,920 per share, including 119 shares purchased in 2015 at an average investment of 4,979 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.