
LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended March 31, 2016

401 Theodore Fremd Avenue, Rye, New York 10580

(914) 921-8821

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

	March 31, 2016	December 31, 2015	March 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	\$17,073	\$14,748	\$23,861
Receivables, less allowances of \$323, \$304 and \$223, respectively	5,970	6,870	6,485
Material and supplies	3,211	3,156	3,538
Prepaid expenses and other current assets	1,941	1,888	1,746
Total current assets	28,195	26,662	35,630
Property, plant and equipment:			
Land	938	938	936
Buildings and improvements	17,171	17,171	16,740
Machinery and equipment	309,692	307,284	297,858
	327,801	325,393	315,534
Accumulated depreciation	(240,725)	(236,671)	(228,214)
	87,076	88,722	87,320
Goodwill	48,764	48,764	48,764
Other intangibles	1,984	1,952	2,049
Investments in and advances to affiliated entities	4,655	4,603	4,976
Other assets	9,443	9,678	9,729
Total assets	\$180,117	\$180,381	\$188,468

See accompanying Notes to Condensed Consolidated Financial Statements.

****Deposit with Federal Communications Commission for Auction 97***

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share amounts)

	March 31, 2016	December 31, 2015	March 31, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	\$2,707	\$2,530	\$3,573
Accrued interest payable	150	245	307
Accrued liabilities	5,385	4,091	4,990
Current maturities of long-term debt	10,613	12,610	4,227
Total current liabilities	18,855	19,476	13,097
Long-term debt	31,954	32,236	52,406
Deferred income taxes	20,363	20,370	18,109
Other liabilities	4,702	4,852	4,756
Total liabilities	75,874	76,934	88,368
Commitments and contingencies			
Shareholders' equity			
Common stock, \$0.0001 par value-10,000,000 shares authorized; 26,637.50, issued; 21,592.37, 21,739.37 and 22,242.37 outstanding	--	--	--
Additional paid-in capital	16,895	16,831	16,637
Retained earnings	103,572	102,072	96,209
Treasury stock, 5,134.13, 4,987.13 and 4,395.13 shares, at cost	(16,224)	(15,456)	(12,746)
Total shareholders' equity	104,243	103,447	100,100
Total liabilities and shareholders' equity	\$180,117	\$180,381	\$188,468

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	
	2016	2015
Revenues	\$21,528	\$21,108
Costs and expenses:		
Cost of revenue, excluding depreciation	10,938	9,760
General and administrative costs at operations	2,759	2,788
Corporate office expenses	958	716
Depreciation and amortization	4,442	4,473
Total Costs and Expenses	19,097	17,737
Operating profit	2,431	3,371
Other income (expense):		
Investment income	342	243
Interest expense	(676)	(791)
Equity in earnings of affiliated companies	427	434
Other	3	3
	96	(111)
Income before income taxes	2,527	3,260
Provision for income taxes	(1,027)	(1,295)
Net income	\$1,500	\$1,965
Basic and diluted weighted average shares outstanding	21,640	21,956
Basic and diluted earnings per share	\$69.30	\$89.52

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, 2015	21,739.37	\$--	\$16,831	\$102,072	\$(15,456)	\$103,447
Net income for the period	--	--	--	1,500	--	1,500
Purchase of Treasury Stock	(147.00)	--	--	--	(768)	(768)
Restricted Stock Awards	--	--	64	--	--	64
Balance at March 31, 2016	21,592.37	\$--	\$16,895	\$103,572	\$(16,224)	\$104,243

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,	
	2016	2015
Operating activities:		
Net Income	\$1,500	\$1,965
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,471	4,501
Equity in earnings of affiliated companies	(427)	(434)
Distributions received from affiliated companies	375	625
Deferred income tax provision	(36)	(190)
Restricted Stock Award Expense	64	--
Changes in operating assets and liabilities:		
Accounts receivables	9,00	457
Income tax payable/ receivable	1,062	1,367
Accounts payable and accrued liabilities	315	(325)
Other Operating assets and liabilities	(290)	(478)
Other	(53)	(51)
Net cash provided by operating activities	<u>7,881</u>	<u>7,437</u>
Investing activities:		
Capital expenditures	(2,766)	(3,920)
Deposits for Auction 97	--	19,000
Other	(134)	144
Net cash provided by (used in) provided by investing activities	<u>(2,900)</u>	<u>15,224</u>
Financing activities:		
Repayments of long term debt	(779)	(1,404)
Repayments of lines of credit, net	(1,500)	(392)
Purchase of treasury stock	(768)	(592)
Repayment of loan from affiliate for FCC Deposit	--	(15,000)
Other	392	433
Net cash used in financing activities	<u>(2,656)</u>	<u>(16,955)</u>
Net increase in cash and cash equivalents	2,325	5,706
Cash and cash equivalents at beginning of period	14,748	18,155
Cash and cash equivalents at end of period	<u>\$17,073</u>	<u>\$23,861</u>

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 New York, California and Utah (5% to 20% 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, 2015. 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 period ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. 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 communications provider in Northern California, California RSA #2 (“RSA #2). As of March 31, 2016, December 31, 2015 and March 31, 31, 2015, the net investment in the partnership was \$3.797, \$3.741 and \$4.119 million, respectively. The Company’s share of income, included in Equity in Earnings of Affiliated Companies was \$431 and \$613 thousand for the three months ended March 31, 2016 and 2015, respectively. Cash distributions from RSA # 2 for the three months ended March 31, 2016 and 2015 were \$375 and \$625 thousand, respectively.

	March 31	
	2016	2015
OPERATING RESULTS		
Three Months Ended		
Revenues	\$5,608	\$5,648
Gross Margin	3,441	3,493
Net profit	1,719	1,651
BALANCE SHEET		
Current assets	\$4,466	\$5,556
Property, plant and equipment and Other – net	10,780	10,578
	<u>\$15,246</u>	<u>\$16,134</u>
Current liabilities	\$1,311	\$1,285
Long-term liabilities	2,203	2,307
Partners’ equity	11,732	12,542
	<u>\$15,246</u>	<u>\$16,134</u>

C. Indebtedness

The Company has a \$30.0 million line of credit agreement with CoBank, ACB (“CoBank”), expiring in December, 2017 with an interest rate of LIBOR plus 2.5%. The average balance of notes payable outstanding was \$13.6 million in 2016; the highest amount outstanding was \$15.0 million in 2016; and the average interest rate was 2.9% in 2016.

Long-term debt at March 31, 2016, December 31, 2015, and March 31, 2015 consists of (all interest rates are at March 31, 2016) (in thousands):

	March 31, 2016	December 31, 2015	March 31, 2015
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%. (5.1% weighted average)	\$2,779	\$3,472	\$5,477
Bank Credit facilities utilized by certain telephone and telephone holding companies due through 2017, at variable interest rate of 2.695%	3,112	3,092	3,376
Unsecured notes issued in connection with acquisitions at fixed interest rates or either \$6.0% or 8.0%	24,176	24,282	25,622
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 2.9%	12,500	14,000	22,049
Other	--	--	109
	<u>42,567</u>	<u>44,846</u>	<u>56,633</u>
Current maturities	(10,613)	(12,610)	(4,227)
	<u>\$31,954</u>	<u>\$32,236</u>	<u>\$52,406</u>

D. 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.

E. Related Party Transactions

At March 31, 2016, December 31, 2015 and March 31, 2015, assets of \$12.6 million, \$10.7 million and \$18.1 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, primarily in rural areas but with continuing expansions in adjacent and other urban communities, which are detailed in the Telecommunications Operations section of this report. Our history is principally as an operator of rural telephone service (known as a Rural Local Exchange Carrier, or "RLEC"), 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.

The broad array of communications services which we provide to residential, commercial and governmental customers, include:

- Local and long-distance telephone service
- Broadband services, principally Digital Subscriber Lines ("DSL") but increasingly through fiber optic technologies
- Video services, including cable television and Internet Protocol Television ("IPTV")
- Access for other telephone service providers to the intra-state and interstate networks
- Private line connections between, for example, two branches of a business
- Public access, including, for example, 911 service
- Managed Hosting, where we host public branch exchanges for customers
- Wireless broadband service, primarily for very remote customers

The federal and state governments have long had a policy of encouraging and financially supporting 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 economically feasible 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 those technologies and provide new services to their customers. In addition, the rates we can charge for some of our services are often regulated by various public utility commissions. We devote considerable management attention to understanding, utilizing and complying with these different governmental programs, incentives and regulatory structures. There is no certainty that such support programs will continue at the same levels as they have in the past, and some reductions have already occurred. However, we believe that the various governmental agencies will continue to encourage and support the provision of modern communications services for people living in high-cost, rural areas. People are communicating more, and in more ways, than ever before – and this includes the rural population as well as urban dwellers. We believe that this expansion of communications creates an opportunity for us to successfully develop the Company's business, as rural customers demand additional and better communications infrastructure.

The advent and spreading acceptance of high speed internet service has been a major growth area for our company. In particular, the number of our DSL and fiber optic broadband subscribers has grown dramatically in recent years. This has been offset, in part, by reductions in the number of traditional telephone lines we serve, as consumers continue to replace traditional telephone connections with new

technologies. We expect such shifts in consumer behavior to persist and we, in turn, are continuing to develop our Company as a broad-based communications provider, whatever the technology, rather than simply a provider of rural telephone connections.

On March 30, 2016, the FCC, which regulates RLECs at the federal level, issued an Order that significantly modifies the rules controlling our regulated operations. RLECs will have a new option to voluntarily elect a regulatory mechanism referred to as A-CAM (“Alternative Connect America Cost Model”) which will replace the existing High Cost Loop Support (“HCLS”) and Interstate Common Line Support (“ICLS”) mechanisms. A-CAM is expected to be implemented on January 1, 2017, and will provide a fixed annual support amount for a ten-year period, which should provide LICT significantly greater regulated revenue stability. However, not all of LICT’s affiliated RLECs are eligible to adopt A-CAM. If a company does not adopt A-CAM, ICLS will be eliminated and replaced with a new Connect America Fund - Broadband Loop Support (“CAF-BLS”) mechanism. CAF-BLS includes a series of new caps and limitations for operating expense, capital expenditures, overall support and support in areas served by unsubsidized competitors, but adds support for data-only broadband. Both A-CAM adopters and CAF-BLS companies will have specific build-out requirements, and the Company is currently assessing the potential impact of these requirements on its RLEC operations. Since the FCC’s new rules have just recently been released, and significant provisions still remain to be finalized, we cannot predict precisely how the new USF mechanisms may affect our companies.

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. LICT retains a \$3.25 note receivable and a 20% equity interest in the acquirer of DFT.

First quarter ended March 31, 2016 compared to 2015

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

	<u>2016</u>	<u>2015</u>
Regulated revenues:		
Local access	\$1,938	\$1,974
Interstate access	7,748	8,047
Intrastate access	1,618	1,962
Other regulated	334	526
Total regulated revenues	<u>11,638</u>	<u>12,509</u>
Non-regulated revenues:		
Broadband and related services	6,094	5,366
Video (including cable modem)	2,525	2,095
Other	1,271	1,138
Total non-regulated revenues	<u>9,890</u>	<u>8,599</u>
Total revenues	<u>21,528</u>	<u>21,108</u>
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	10,938	9,760
General and administrative costs at operations	2,759	2,788
Depreciation and amortization	4,442	4,473
Total operating costs and expenses	<u>18,139</u>	<u>17,021</u>
Operating profit before corporate expenses	<u>3,389</u>	<u>4,087</u>
Corporate office expenses:		
Allocated corporate office expenses	374	280
Un-allocated corporate office expenses	584	436
Total Corporate office expenses	<u>958</u>	<u>716</u>
Operating profit	<u>\$2,431</u>	<u>\$3,371</u>

Our non-regulated revenues grew by \$1.291 million to \$9.89 million, a 15.0% increase as compared to 2015. Non-regulated revenues, revenues from broadband services and other non-regulated services increased, specifically from our Utah (\$0.5 million), Iowa (\$0.3 million), and California (\$0.2 million) operations, primarily due to the sale of additional broadband circuits outside of our regulated service territory (\$0.7 million), additional video revenue and the sale of communications equipment. Non-regulated revenues have grown to currently represent over 46% of our revenue streams and are expected to continue to this growth. Regulated revenues decreased by \$871 thousand or 7.0% to \$11,638 thousand. Interstate access revenue decreased \$299 thousand in 2015 due to lower rate bases at certain of our operations, lower industry rates of return and other regulatory factors. Intrastate revenues decreased by \$344 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 2016 increased by \$420 thousand or 2.0%, to \$21,528 thousand compared to \$21,108 thousand in 2015.

Total costs and expenses were \$18.139 million in 2016, an increase of \$1.118 million compared to 2015. Costs of revenue increased \$1.178 million primarily due to increased costs from the growing internet and cable television operations. General and administrative costs incurred at the operations decreased by \$29 thousand. Depreciation and amortization decreased by \$31 thousand from 2015 to 2016, due to decreased

capital expenditures in 2014 and 2015, and as assets become fully depreciated. Corporate expenses from \$716 thousand in 2015 and \$958 thousand in 2016 are due to additional personnel at the corporate office. As a result of the above, operating profit in 2015 decreased by \$940 thousand from \$3.371 million in 2015 to \$2.431 million in 2016.

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:

	<u>2016</u>	<u>2015</u>
EBITDA from:		
Operating units	\$7,831	\$8,560
Dividends from equity affiliates	375	625
EBITDA before corporate expenses	8,206	9,185
Corporate expenses	(958)	(716)
EBITDA	<u>\$7,248</u>	<u>\$8,469</u>
 Reconciliation to net income:		
EBITDA	\$7,248	\$8,469
Less dividends from equity affiliates	(375)	(625)
Depreciation and amortization	(4,442)	(4,473)
Investment income	342	243
Interest expense	(676)	(791)
Equity in income of affiliates	427	434
Other gains	3	3
Income tax	(1,027)	(1,295)
Net income for continuing operations	<u>\$1,500</u>	<u>\$1,965</u>

Other Income (Expense)

In 2016, investment income increased by \$99 thousand due to increased patronage capital distributions from the line of credit at Brighton Communications Corporation offset by lower distribution from the Company's investment in Iowa Network Services, Inc.

Interest expense decreased by \$115 thousand in 2016 primarily due to reductions in debt outstanding offset by higher interest rates.

Equity in earnings of affiliates in 2016 was approximately equal to 2015 and represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2016 and 2015, represent effective tax rates of 40.6% and 39.7%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income for the first quarter of 2016 was \$1,500 thousand, or \$69.30 per share (basic and diluted), compared to a net income of \$1,965 thousand, or \$89.52 per share (basic and diluted) in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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, 2016, there was \$12.5 million outstanding under this facility, classified as long-term debt. The average balance outstanding under the facility was \$19.1 million at an average interest rate of 2.9%. 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 that the subsidiary deposited with the Federal Communications Commission to fund its participation in Auction 97. The loan bore interest at the rate of .38% per year and was due the earlier of 5 days after the Auction 97 deposits were returned from the FCC, or October 14, 2015. The deposit was returned in February 2015 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, 2016 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	\$42,567	\$10,845	\$27,241	\$2,960	\$521
Interest on long-term debt	5,270	2,613	2,388	196	73
Total contractual cash obligations and commitments	\$47,837	\$ 13,458	\$30,629	\$3,156	\$594

At March 31, 2016, total debt was \$42.567 million, a decrease of \$2.279 million from December 31, 2015. At March 31, 2016, there was \$26.955 million of fixed interest rate debt outstanding, averaging 7.1%, and \$15.612 million of variable interest rate debt, averaging 2.9%. The debt at fixed interest rates includes \$24.069 million of subordinated notes at interest rates averaging 7.4% 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, 2016, the ratio of total debt to total EBITDA, on a trailing twelve month basis, was 1.4 to 1. Certain subsidiaries have higher debt to EBITDA ratios.

As of March 31, 2016, LICT had current assets of \$28.2 million and current liabilities of \$18.9 million resulting in working capital of \$9.4 million compared to \$7.2 million at December 31, 2015.

Sources and Uses of Cash

Cash at March 31, 2015, was \$17.1 million, as compared to \$14.7 million at December 31, 2015. In the three months of 2016, net cash provided by operations of \$7.9 million was primarily used to invest in plant and equipment, repay debt and purchase treasury shares.

In the three months, capital expenditures were \$2.8 million in 2016 as compared to \$4.1 million in 2015, of which 52% and 50% 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 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 California RSA # 2 Partnership of \$675 thousand in the three months of 2015 compared to \$375 thousand in the current period. The increase in 2015 distributions is partially due to a lease/leaseback transaction executed by the Partnership, which was did not recur in 2016.

The Company's Board of Directors has authorized the purchase of up to 5,800 shares of the Company's common stock. Through March 31, 2016, 5,014 shares have been purchased at an average investment of \$3,262 per share, including 147 shares purchased in 2016 at an average investment of \$5,228 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, Inc. has made cash distributions to shareholders of \$170 per share.