

---

---

**LICT CORPORATION AND SUBSIDIARIES**

Quarterly Report for period ended March 31, 2017

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)

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$11,566	\$8,470	\$17,073
FCC Deposit – Auction 1002 (a)	11,000	11,000	--
Receivables, less allowances of \$308, \$263, and \$323, respectively	7,838	7,405	5,970
Material and supplies	4,183	3,791	3,211
Prepaid expenses and other current assets	2,246	2,004	1,941
Total current assets	36,833	32,670	28,195
Property, plant and equipment:			
Land	955	955	938
Buildings and improvements	17,450	17,438	17,171
Machinery and equipment	323,856	320,296	309,692
	342,261	338,689	327,801
Accumulated depreciation	(256,240)	(251,564)	(240,725)
	86,021	87,125	87,076
Goodwill	48,764	48,764	48,764
Other intangibles	1,963	1,967	1,984
Investments in and advances to affiliated entities	5,018	4,834	4,655
Other assets	9,149	9,483	9,383
Total assets	\$187,748	\$184,843	\$180,057

*See accompanying Notes to Condensed Consolidated Financial Statements.*

(a) Received refund, net of licenses awarded of \$10.3 million in April, 2017.

**LICT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(In thousands, except share amounts)

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Trade accounts payable	\$2,524	\$2,802	\$2,707
Accrued interest payable	158	165	150
Accrued liabilities	9,542	7,269	5,385
Current maturities of long-term debt	4,711	4,723	10,613
Total current liabilities	16,935	14,959	18,855
Long-term debt	34,888	37,361	31,894
Deferred income taxes	20,008	20,092	20,363
Other liabilities	3,914	3,955	4,702
Total liabilities	75,745	76,367	75,814
Commitments and contingencies			
Shareholders' equity			
Common stock, \$0.0001 par value-10,000,000 shares authorized; 26,795.50, issued; 21,266.37, 21,282.37 and 22,592.37 outstanding	--	--	--
Additional paid-in capital	17,393	17,162	16,895
Retained earnings	112,953	109,345	103,572
Treasury stock, 5,529.13, 5,478.13 and 5,134.13 shares, at cost	(18,343)	(18,031)	(16,224)
Total shareholders' equity	112,003	108,476	104,243
Total liabilities and shareholders' equity	\$187,748	\$184,843	\$180,057

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**LICT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

*(In thousands, except per share data)*

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Revenues	\$26,086	\$21,528
Costs and expenses:		
Cost of revenue, excluding depreciation	11,840	10,938
General and administrative costs at operations	2,813	2,759
Corporate office expenses	1,053	958
Depreciation and amortization	4,595	4,442
Total Costs and Expenses	20,301	19,097
Operating profit	5,785	2,431
Other income (expense):		
Investment income	275	342
Interest expense	(592)	(676)
Equity in earnings of affiliated companies	396	427
Other	2	3
	81	96
Income before income taxes	5,866	2,527
Provision for income taxes	(2,258)	(1,027)
Net income	\$3,608	\$1,500
Weighted average shares outstanding:		
Basic average shares outstanding	21,176	21,551
Diluted average shares outstanding	21,270	21,640
Actual shares outstanding	21,266	21,592
Earnings per share:		
Basic	\$170.38	\$69.60
Diluted	169.63	69.32

*See accompanying Notes to Condensed Consolidated Financial Statements.*

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

	<b>Shares of Common Stock Out- standing</b>	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Total</b>
Balance at December 31, 2016	21,282.37	\$--	\$17,162	\$109,345	(\$18,031)	\$108,476
Net income for the period	--	--	--	3,608	--	3,608
Purchase of Treasury Stock	(51.00)	--	--	--	(312)	(312)
Restricted and Other Stock Awards	35.00	--	231	--	--	231
Balance at March 31, 2017	<u>21,266.37</u>	<u>\$--</u>	<u>\$17,393</u>	<u>\$112,953</u>	<u>(\$18,343)</u>	<u>\$112,003</u>

*See accompanying Notes to Condensed Consolidated Financial Statements.*

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

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities:</b>		
Net Income	\$3,608	\$1,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,624	4,471
Equity in earnings of affiliated companies	(396)	(427)
Distributions received from affiliated companies	213	375
Deferred income tax provision	(89)	(36)
Restricted and Other Stock Award Expense	231	64
Changes in operating assets and liabilities:		
Accounts receivables	(433)	900
Income tax payable/ receivable	2,484	1,062
Accounts payable and accrued liabilities	(143)	315
Other Operating assets and liabilities	(1,004)	(290)
Other	(44)	(53)
Net cash provided by operating activities	9,051	7,881
<b>Investing activities:</b>		
Capital expenditures	(3,446)	(2,766)
Other	296	258
Net cash (used in) investing activities	(3,150)	(2,508)
<b>Financing activities:</b>		
Repayments of long term debt	(988)	(779)
(Repayments) related to lines of credit, net	(1,500)	(1,500)
Purchase of treasury stock	(312)	(769)
Other	(5)	--
Net cash used in financing activities	(2,805)	(3,048)
Net increase in cash and cash equivalents	3,096	2,325
Cash and cash equivalents at beginning of period	8,470	14,748
Cash and cash equivalents at end of period	\$11,566	\$17,073

*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 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, 2016. 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, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. 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, 2017, December 31, 2016 and March 31, 2016, the net investment in the partnership was \$3,992 thousand, \$3,783 thousand, and \$3,796 thousand, respectively. The Company’s share of income, included in Equity in Earnings of Affiliated Companies was \$421 thousand and \$431 thousand for the three months ended March 31, 2017 and 2016, respectively. Cash distributions from RSA # 2 for the three months ending March 31, 2017 and 2016 were \$213 thousand and \$375 thousand, respectively.

In the first quarter of 2017, total equity in earnings of affiliates includes a \$25,000 loss from an investment in Kansas and in the first quarter of 2016, total equity in earnings from affiliates includes \$3,000 of income from an investment in Utah.

	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>OPERATING RESULTS</b>		
<b>Three Months Ended</b>		
Revenues	\$5,519	\$5,608
Gross Margin	3,346	3,441
Net profit	1,685	1,719
<b>BALANCE SHEET</b>		
Current assets	\$4,728	\$4,466
Property, plant and equipment and Other – net	11,351	10,780
	<u>\$16,079</u>	<u>\$15,246</u>
Current liabilities	\$1,435	\$1,333
Long-term liabilities	2,111	2,203
Partners' equity	12,533	11,710
	<u>\$16,079</u>	<u>\$15,246</u>

### C. Indebtedness

The Company had a \$30.0 million line of credit agreement with CoBank, ACB (“CoBank”), which was to expire in December 2017 with an interest rate of LIBOR plus 2.5%. The average balance of notes payable outstanding was \$15.2 million in 2017; the highest amount outstanding was \$16.0 million in 2017; and the average interest rate was 3.28% in 2017. To increase our financial flexibility, on April 11, 2017, we closed on a \$50 million revolving credit facility from CoBank, ACB. The facility, which expires in December 2019, replaced the existing \$30 million line of credit.

Long-term debt at March 31, 2017, December 31, 2016, and March 31, 2016 consists of (all interest rates are at March 31, 2017) (in thousands):

	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
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%. (4.3% weighted average)	\$1,351	\$1,479	\$2,779
Bank Credit facilities utilized by certain telephone and telephone holding companies due through 2019, at variable interest rate of 3.25%	1,415	1,975	3,112
Unsecured notes issued in connection with acquisitions at fixed interest rates or either \$6.0% or 8.0%	22,376	22,676	24,176
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 3.46%	14,500	16,000	12,500
Deferred Finance Costs	(43)	(46)	(60)
	39,599	42,084	42,507
Current maturities	(4,711)	(4,723)	(10,613)
	<u>\$34,888</u>	<u>\$37,361</u>	<u>\$31,894</u>

D. Litigation

LICT or a subsidiary thereof 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, 2017, December 31, 2016 and March 31, 2016, assets of \$7.9 million, \$4.6 million and \$12.6 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, primarily in rural areas but with continuing expansions in adjacent 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 Rural Local Exchange Carriers, or "RLECs"), with our principal operations in rural parts of California, Iowa, Kansas, Michigan, New Hampshire, New Mexico, Utah and Wisconsin.

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") and cable modem services which are increasingly provided 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 virtual switchboards for customers; and
- Wireless broadband service, primarily for very remote customers

The federal and state governments have long had a policy of encouraging and promoting telephone and other communication services in rural areas because it provided a benefit to all Americans and to the nation as a whole. 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 numerous federal and state support mechanisms, which are generally referred to as Universal Service Funds ("USF"). Such programs evolve constantly to take into consideration customer needs, as well as new services and technologies, and to encourage RLECs to invest in and support the new technologies and provide new services to their customers. In addition, the rates we can charge for some of our services are regulated by the FCC and in many cases, the various state 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 although the FCC's new A-CAM support program, discussed below, has significantly increased the amount of federal support we are receiving. Overall, 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 has been a major growth area for our Company. In particular, the number of broadband subscribers has grown dramatically in recent years. This has been offset, in part, by reductions in the number of traditional voice telephone lines we serve, as consumers

replace traditional telephone connections with new technologies. We expect such shifts in consumer behavior to continue 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 voice telephone connections.

Effective January 1, 2017, the FCC instituted a revised, voluntary USF mechanism for eligible rate-of-return Incumbent Local Exchange Carriers (“ILECs”), called A-CAM, an acronym for “Alternative – Connect America Model.” A-CAM replaces the prior Interstate Common Line Support (“ICLS”) and High Cost Loop Support (“HCLS”) cost-based USF programs, which were based on specific company actual expenditures for operations and capital or on average schedule algorithms derived based on industry averages. The A-CAM program was designed by the FCC to expedite the deployment of broadband capabilities throughout the nation’s rural areas that are served by rate-of-return carriers. Eleven of LICT’s fourteen operating RLEC study areas elected to adopt A-CAM, which will provide a fixed amount of annual funding for a period of ten years, effective January 1, 2017. As part of adopting the A-CAM model, our RLECs must meet certain service requirements over the ten-year period. The LICT RLECs participating in A-CAM are located in six states and will receive a combined fixed payment of \$23.3 million over the next ten years. In addition, the RLECs in two of these states will receive supplemental transitional payments of \$0.5 million in 2017 reduced by \$0.1 million per year through the end of 2021. LICT’s A-CAM electors received \$7.4 million of ICLS revenues in 2016 and \$5.6 million of HCLS revenues in 2016 for a combined \$12.9 million. Some of our A-CAM recipients also receive USF from the states in which they operate, totaling \$6.4 million in 2016. Although we expect that these states will continue to support broadband deployment, it is unclear whether and if so by how much these state revenues may be affected by A-CAM.

#### **First quarter ended March 31, 2017 compared to 2016**

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

	<u>2017</u>	<u>2016</u>
Regulated revenues:		
Local access	\$1,914	\$1,938
Interstate access	10,345	7,748
Intrastate access	2,274	1,618
Other regulated	325	334
Total regulated revenues	<u>14,858</u>	<u>11,638</u>
Non-regulated revenues:		
Broadband and related services	7,379	6,094
Video (including cable modem)	2,818	2,525
Other	1,031	1,271
Total non-regulated revenues	<u>11,228</u>	<u>9,890</u>
Total revenues	<u>26,086</u>	<u>21,528</u>
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	11,840	10,938
General and administrative costs at operations	2,813	2,759
Depreciation and amortization	4,595	4,442
Total operating costs and expenses	<u>19,248</u>	<u>18,139</u>
Operating profit before corporate expenses	<u>6,838</u>	<u>3,389</u>
Corporate office expenses	1,053	958
Operating profit	<u>\$5,785</u>	<u>\$2,431</u>

Our non-regulated revenues grew by \$1.3 million to \$11.2 million, a 13.5% increase as compared to 2016. Non-regulated revenues, revenues from broadband services and other non-regulated services increased, specifically from our Utah (\$0.7 million) and Kansas (\$0.2 million) operations, primarily due to the sale of additional broadband circuits outside of our regulated service territory (\$1.3 million), and additional video (cable modem) revenue. Non-regulated revenues currently represent 43% of our revenue streams and are expected to continue to grow. Fueled largely by additional A-CAM revenues, regulated revenues increased by \$3.2 million or 27.7% to \$14.9 million. A-CAM revenues of \$5.9 million in 2017 exceeded 2016's ICLS and HCL revenues by \$2.6 million. Intrastate revenues increased by \$656 thousand due, predominantly, to a statewide revenue adjustment by the state of New Mexico (\$714 thousand) offset by lower minutes of use. Combining the non-regulated and regulated revenues, total revenues in 2017 increased by \$4.6 million or 21.2%, to \$26.1 million compared to \$21.5 million in 2016.

Total operating costs and expenses were \$19.2 million in 2017, an increase of \$1.1 million as compared to 2016. Costs of revenue increased \$902 thousand primarily due to increased costs from the growing internet and cable television operations. General and administrative costs incurred at the operations increased by \$54 thousand. Depreciation and amortization increased by \$153 thousand from 2016 to 2017, due to decreased capital expenditures in 2016, and as assets become fully depreciated. Corporate expenses increased by \$95 thousand to \$1,053 thousand in 2017 from \$958 thousand in 2016 are due to stock compensation award in 2017 of \$205 thousand. As a result of the above, operating profit in 2017 increased by \$3.4 million from \$2.4 million in 2016 to \$5.8 million in 2017.

### **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>2017</u>	<u>2016</u>
<b>EBITDA from:</b>		
Operating units	\$11,433	\$7,831
Dividends from equity affiliates	213	375
EBITDA before corporate expenses	11,646	8,206
Corporate expenses	(1,053)	(958)
EBITDA	<u>\$10,593</u>	<u>\$7,248</u>
<b>Reconciliation to net income:</b>		
EBITDA	\$10,593	\$7,248
Less dividends from equity affiliates	(213)	(375)
Depreciation and amortization	(4,595)	(4,442)
Investment income	275	342
Interest expense	(592)	(676)
Equity in income of affiliates	396	427
Other income (expense) – Other	2	3
Income tax	(2,258)	(1,027)
Net income for continuing operations	<u>\$3,608</u>	<u>\$1,500</u>

### **Other Income (Expense)**

In 2016, investment income decreased by \$67 thousand due to lower distributions from investments recorded on a cost basis.

Interest expense decreased by \$84 thousand in 2016 primarily due to lower interest rates offset by increased debt outstanding, due to the FCC Deposit for Auction 1002 of \$11.0 million.

Equity in earnings of affiliates in 2017 decreased by \$31 thousand 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 2017 and 2016, represent effective tax rates of 38.5% and 40.6%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

### **Net Income**

Net income for 2017 was \$3.6 million, or \$170.38 per basic share and \$169.63 per diluted share, compared to a net income of \$1.5 million, or \$69.60 per basic share and \$69.32 per diluted share in 2016.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

On April 11, 2017, Brighton Communications Corporation (“Brighton”), a wholly-owned subsidiary of LICT, closed on a \$50 million revolving credit facility from CoBank, ACB. The facility, which expires in December 2019, replaced a \$30 million line of credit with CoBank. Brighton owns substantially all of the subsidiaries within the LICT consolidated group of companies. As of March 31, 2017, there was \$14.5 million outstanding under the \$30 million facility, classified as long-term debt. The average balance outstanding under the facility was \$15.2 million at an average interest rate of 3.28%. Management believes that the current CoBank facility provides adequate liquidity for at least the next twelve months.

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, 2017 for the periods shown, these contractual obligations and certain other financing commitments from banks and other financial institutions that provide liquidity:

	<b>Payments Due by Period</b>				
	<b>(In thousands)</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 – 3 years</b>	<b>4 – 5 years</b>	<b>After 5 years</b>
Long-term debt, principal only	\$25,142	\$4,373	\$11,490	\$8,796	\$483
Notes payable	14,500	--	14,500	--	--
Operating leases	2,452	575	868	678	331
Interest on long-term debt	5,653	2,481	2,352	612	208
Total contractual cash obligations and commitments	\$47,747	\$7,429	\$29,210	\$10,086	\$1,022

At March 31, 2017, total debt was \$39.6 million, a decrease of \$2.5 million from December 31, 2016. At March 31, 2017, there was \$23.7 million of fixed interest rate debt outstanding, averaging 7.0%, and \$15.9 million of variable interest rate debt, averaging 3.4%. The debt at fixed interest rates includes \$22.4 million of subordinated notes at interest rates averaging 7.2% 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, 2017, the ratio of total debt to total EBITDA, on a trailing twelve-month basis, was 1.15 to 1. Certain subsidiaries have higher debt to EBITDA ratios.

As of March 31, 2017, LICT had current assets of \$36.8 million and current liabilities of \$16.9 million resulting in working capital of \$19.9 million compared to \$17.7 million at December 31, 2016.

LICT Wireless Broadband Company, LLC (“LICT Wireless”), a wholly owned subsidiary of the Company, participated in the FCC forward auction phase of the broadcast incentive auction - Auction 1002 (“Auction”), which ended on March 31, 2017. LICT Wireless had made an upfront deposit of \$11.0 million in this Auction. In this Auction, LICT Wireless acquired two 10MHz licenses in the state of Michigan for

a total of \$0.6 million. The company received the net excess deposit of \$10.3 million in April 2017, the majority of which was used to pay down the Brighton line of credit.

### **Sources and Uses of Cash**

As described in more detail below, the company's operating cash flows in 2017 and beyond will be impacted by the A-CAM election by certain of its RLEC operations.

Cash at March 31, 2017 was \$11.6 million, as compared to \$8.5 million at December 31, 2016. In the first three months of 2017, net cash provided by operations of \$9.1 million was primarily used to invest in plant and equipment (\$3.4 million), repay debt (\$2.5 million), and purchase treasury shares (\$0.3 million).

In the first three months, capital expenditures were \$3.4 million in 2017 as compared to \$2.8 million in 2016.

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 \$0.2 million in the three of 2017 compared to \$0.4 million in the prior year period. The partnership in projecting that the Company's share of the total 2017 distribution will be \$2.0 million.

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, 2017, 5,409 shares have been purchased at an average investment of \$3,291 per share, including 51 shares purchased in 2017 at an average investment of \$6,117 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