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LICT CORPORATION

Quarterly Report for period ended September 30, 2014

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

	September 30, 2014	December 31, 2013	September 30, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	$ 10,999	$ 9,272	$ 8,261
Receivables, less allowances of $412, $343 and $366, respectively	8,170	8,008	8,293
Material and supplies	4,187	3,765	3,991
Prepaid expenses and other current assets	2,523	2,387	3,008
Deposit with FCC*	--	11,000	--
Total current assets	25,879	34,432	23,553
Property, plant and equipment:			
Land	1,022	1,022	1,063
Buildings and improvements	19,941	19,691	19,476
Machinery and equipment	317,562	307,804	307,921
	338,525	328,517	328,460
Accumulated depreciation	(239,758)	(228,959)	(231,338)
	98,767	99,558	97,122
Goodwill	59,465	59,465	59,465
Other intangibles	2,543	2,650	2,686
Investments in and advances to affiliated entities	4,795	5,303	5,382
Other assets	7,562	8,080	8,390
Total assets	$ 199,011	$ 209,488	$ 196,598

See accompanying Notes to Condensed Consolidated Financial Statements.

***Deposit with Federal Communications Commission for Auction 96**

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

	September 30, 2014	December 31, 2013	September 30, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes payable to banks	$ 20,900	$ 17,200	$ 17,090
Note payable to affiliate	--	11,000	--
Trade accounts payable	4,670	4,744	4,188
Accrued interest payable	298	294	289
Accrued liabilities	5,615	6,225	8,359
Current maturities of long-term debt	6,969	8,069	6,248
Total current liabilities	38,452	47,532	36,174
Long-term debt	39,169	46,487	48,989
Deferred income taxes	17,852	18,721	17,231
Liability for unrecognized tax benefits	--	--	18
Other liabilities	7,012	6,689	6,037
Total liabilities	102,485	119,429	108,449
Commitments and contingencies			
Shareholders' equity			
Common stock, $0.0001 par value-10,000,000 shares authorized; 26,637.50, issued; 22,327.37, 22,486.37 and 22,486.37 outstanding	--	--	--
Additional paid-in capital	16,637	16,637	16,637
Retained earnings	91,220	84,305	82,450
Accumulated other comprehensive income (loss)	--	--	(37)
Treasury stock, 4,310.13, 4,151.13 and 4,151.13 shares, at cost	(11,900)	(11,379)	(11,379)
Shareholders' equity attributable to LICT	95,957	89,563	87,671
Noncontrolling interests	569	496	478
Total shareholders' equity	96,526	90,059	88,149
Total liabilities and shareholders' equity	$ 199,011	$ 209,488	$ 196,598

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 September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	
Revenues	$ 25,794	$ 24,155	$ 75,961	$ 71,337	
Costs and expenses:					
Cost of revenue, excluding depreciation	12,323	11,731	35,919	34,124	
General and administrative costs at operations	3,599	3,501	10,287	10,391	
Corporate office expenses	718	823	2,308	2,374	
Depreciation and amortization	4,876	4,403	14,567	13,017	
Total Costs and Expenses	21,516	20,458	63,081	59,906	
Operating profit	4,278	3,697	12,880	11,431	
Other income (expense):					
Investment income	18	24	475	527	
Interest expense	(1,049)	(1,140)	(3,263)	(3,505)	
Equity in earnings of affiliated companies	399	644	1,262	1,353	
Gain on sale of assets	4	2	54	411	
	(628)	(470)	(1,472)	(1,214)	
Income before income taxes	3,650	3,227	11,408	10,217	
Provision for income taxes	(1,359)	(1,279)	(4,420)	(3,936)	
Net income	2,291	1,948	6,988	6,281	
Noncontrolling interests	(24)	(9)	(73)	(71)	
Net income attributable to LICT	$ 2,267	$ 1,939	$ 6,915	$ 6,210	
Basic and diluted weighted average shares	22,342.93	22,656.60	22,327.37	22,803.60	
Basic and diluted earnings per share:					
Net income from continuing operations	$ 102.54	$ 85.994	$ 312.89	$ 275.44	
Net income attributable to LICT	$ 101.46	$ 85.59	$ 309.66	$ 272.31	
Net earnings per share, included above, attributable to:				$	$
Gain on sale of assets	-	-	$ --	$ 10.79	

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIAIRES
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	Non-controlling Interest	Total
Balance at December 31, 2013	22,486.37	$ --	$ 16,637	$ 84,305	$ (11,379)	$ 496	$ 90,059
Net income for the period	--	--	--	6,915	--	73	6,988
Purchase of Treasury Stock	(159)	--	--	--	(521)	--	(521)
Balance at September 30, 2014	22,327.37	$ --	$ 16,637	$ 91,220	$ (11,900)	$ 569	$ 96,526

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2014	2013
Operating activities:		
Net Income attributable to LICT	$ 6,915	$ 6,210
Adjustments to reconcile net income attributable to LICT to net cash provided by operating activities:		
Depreciation and amortization	14,599	13,017
Equity in earnings of affiliated companies	(1,262)	(1,353)
Distributions received from affiliated companies	943	605
Other gains	--	(411)
Deferred income tax provision	(846)	--
Noncontrolling interest	73	71
Changes in operating assets and liabilities:		
Accounts receivables	(162)	850
Income tax payable/ receivable	3,297	(239)
Accounts payable and accrued liabilities	(4,340)	398
Other Operating assets and liablities	(583)	(163)
Other	334	54
Net cash provided by operating activities	18,902	19,039
Investing activities:		
Capital expenditures	(13,353)	(13,042)
Stimulus grant spending	--	(1,061)
Stimulus grant recoveries	--	801
Investment in restricted cash	31	--
Proceeds from sale of investments	875	758
Deposit with FCC for Auction 96	11,000	--
Other	296	35
Net cash provided by (used in) investing activities	(1,151)	(12,509)
Financing activities:		
Issuance of long term debt	--	34
Repayments of long term debt	(8,203)	(7,742)
Borrowings related to lines of credit, net	3,700	1,928
Purchase of treasury stock	(521)	(1,519)
Short term loan from affiliate for FCC Deposit	(11,000)	--
Net cash used in financing activities	(16,024)	(7,299)
Net increase/(decrease) in cash and cash equivalents	1,727	$ (769)
Cash and cash equivalents at beginning of period	9,272	9,030
Cash and cash equivalents at end of period	$ 10,999	8,261
Cash paid for:		
Interest expense	$ 2,365	$ 3,405
Income taxes	4,138	4,096
Non cash transactions:		
Purchases of property, plant and equipment included in payables or accruals at:		
- End of period	273	626
- Beginning of period	1,082	698

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, 2013. 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 and nine month periods ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. 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. In May 2014, WAPSI Wireless LLC., in which a subsidiary of LICT has a 14.2% ownership interest, completed the sale of assets and distributed the net proceeds to its owners. As a result of this transaction LICT recognized a pretax gain of $50 thousand.

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 September 30, 2014, December 31, 2013 and September 30, 2013, the net investment in the partnership was $4.2 million, $4.0 million and $3.7 million, respectively. The Company's share of income, included in Equity in Earnings of Affiliated Companies was $1.3 million and $1.4 million for the nine months ended September 30, 2014 and 2013, respectively.

D. Indebtedness

In May 2014, the Company executed a line of credit agreement with an affiliate of its Chairman and Chief Executive Officer. This new line of credit replaces the previous line of credit facility with similar terms. This short-term line of credit facility totals $25.0 million expires on September 30, 2015. Borrowings under this and earlier facilities were $20.9 million, $17.2 million and $17.1 million at September 30, 2014, December 31, 2013 and September 30, 2013, 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 September 30, 2014) (in thousands):

	September 30, 2014	December 31, 2013	September 30, 2013
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 $38 million)	$ 6,779	$ 8,663	$ 9,270
Bank Credit facilities utilized by certain telephone and telephone holding companies due through 2017, at variable interest rates averaging 3.4%	8,059	13,346	13,755
Unsecured notes issued in connection with acquisitions at fixed interest rates averaging 7.2%	30,197	31,697	31,697
Other	1,103	850	515
	46,138	54,556	55,237
Current maturities	(6,969)	(8,069)	(6,248)
	$ 39,169	$ 46,487	$ 48,989

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.

Subpoena.
In November 2011, the Company received a subpoena from the FCC's Office of Inspector General requesting information regarding receipt of Federal Universal Service Fund support. The Company has provided the information requested and has fully cooperated with regard to the request. The Company cannot predict any action that may be taken as a result of the request.

False Claims Act “Qui Tam” Litigation.
Approximately 1,400 industry participants that provide regulated telephone service to rural areas of the United States (generically known as “RLECs”), including subsidiaries of the Company, are defendants in a lawsuit brought 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 on January 24, 2014, 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 the alleged submission of false or fraudulent claims to the government. In return, if the suit is successful, the relator receives a statutory bounty from the government's recovery. The main allegation in this case is that the defendants participated in a scheme to inaccurately report certain financial data to the Federal Communications Commission and, in doing so, received revenues from the United States Department of the Treasury to which they were not entitled. The allegedly inaccurate data involves how the RLECs reported (a) dividends received from Rural Telephone Bank, (b) deferred tax assets, and (c) depreciation of property, plant, and equipment. At this time, none of LICT’s subsidiaries has been served with the complaint, and the relator has 120 days from the date that the complaint was unsealed to do so; otherwise, by statute the complaint will be dismissed without prejudice.

LICT and its subsidiaries believe that this lawsuit is completely without merit or basis, and, if served with the complaint, intend to defend the suit vigorously. As noted above, the United States Department of Justice notified the court on January 24, 2014 that it declines to intervene in the case at this time. Nevertheless, we cannot predict the ultimate outcome of the litigation, nor can we predict the effect that the lawsuit or its outcome will have on our business or plan of operation. LICT and its subsidiaries do not have any insurance to cover the costs of defending this lawsuit, which could be material.

G. Related Party Transactions

At September 30, 2014, December 31, 2013 and September 30, 2013, assets of $6.5 million, $4.4 million and $3.5 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 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.

Three months ended September 30, 2014 compared to 2013

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

	2014	2013
Regulated revenues:		
Local access	$ 2,460	$ 2,578
Interstate access	9,075	8,725
Intrastate access	2,426	2,573
Other regulated	977	437
Total regulated revenues	14,938	14,313
Broadband and other non-regulated	10,856	9,841
Total revenues	25,794	24,155
Operating Cost and Expense:		

Cost of revenue, excluding depreciation	12,323	11,731
General and administrative costs at operations	3,599	3,501
Corporate office expenses	718	823
Depreciation and amortization	4,876	4,403
Total	21,516	20,458
Operating profit	$ 4,278	$ 3,697

Total revenues in 2014 increased $1.6 million, or 6.8%, to $25.8 million compared to $24.2 million in 2013. Our non-regulated revenues, primarily broadband services, grew by $1.0 million or 10.2%. While regulated regulated revenues increased by $0.6 million or 4.4% to $14.9 million. Local access revenue decreased $0.1 million resulting from a 3.8% decrease in access lines from the prior year offset by the sale of additional services and features. Interstate access revenue increased $0.4 million in 2014. Revenues from broadband and other non-regulated services increased $1.0 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. Our DSL penetration was 71.8% at September 30, 2014 compared to 70.3% at September 30 2013.

Total costs and expenses were $21.5 million in 2014, an increase of $1.1 million compared to 2013. Costs of revenue increased $0.6 million, 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 2014 increased by $0.6 million from $3.7 million in 2013 to $3.9 million in 2014.

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:

	2014	2013
EBITDA from:		
Operating units	$ 9,872	$ 9,205
Dividends from equity affiliates	315	253
	10,187	9,458
Corporate expense	(718)	(823)
EBITDA	$ 9,469	$ 8,635
Reconciliation to net income:		
EBITDA	$ 9,469	$ 8,635
Less dividends from equity affiliates	(315)	(253)
Depreciation and amortization	(4,876)	(4,403)
Investment income	18	24
Interest expense	(1,049)	(1,140)
Equity in income of affiliates	399	362
Other gains	3	2
Income tax	(1,359)	(1,279)
Net income	$ 2,291	$ 1,948

Other Income (Expense)

Interest expense decreased by $0.1 million in 2014 primarily due to reductions in debt outstanding and lower interest rates.

Equity in earnings of affiliates increased in 2014 primarily due to consistent earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2014 and 2013, represent effective tax rates of 40.0% and 39.6%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income in the third quarter of 2014 was $2.3 million, or $102.61 per share (basic and diluted), compared to a net income last year of $1.9 million, or $95.72 per share (basic and diluted). The Company has no dilutive instruments outstanding.

Nine months ended September 30, 2014 compared to 2013

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

	2014	2013
Regulated revenues:		
Local access	$ 7,324	$ 7,833
Interstate access	27,841	26,096
Intrastate access	7,426	7,535
Other regulated	1,596	1,308
Total regulated revenues	44,187	42,772
Broadband and other non-regulated	31,774	28,565
Total revenues	75,961	71,337
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	35,919	34,124
General and administrative costs at operations	10,287	10,391
Corporate office expenses	2,308	2,374
Depreciation and amortization	14,567	13,017
Total	63,081	59,906
Operating profit	$ 12,880	$ 11,431

Total revenues in 2014 increased $4.7 million, or 0.7%, to $76.0 million compared to $71.3 million in 2013. Our non-regulated revenues, primarily broadband services, grew by 11.2% while regulated revenues increased by 3.3%. Local access revenue decreased $0.5 million resulting from a 1.0% decrease in access lines offset by the sale of additional services and features. Interstate access revenue increased $1.8 million in 2014. Revenues from broadband and other non-regulated services increased $3.2 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 $63.1 million in 2014 and $59.1 million in 2013. Costs of revenue increased $1.8 million, due to growing internet and cable television operations. General and administrative costs incurred at the operations inecreased by $0.2 million. Corporate office expenses inecreased by $0.2 million. Depreciation and amortization increased by $1.5 million.

As a result of the above, operating profit in 2014 increased by $1.5 million from $11.4 million in 2013 to $12.9 million in 2014.

EBITDA

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

	2014	2013
EBITDA from:		
Operating units	$ 29,755	$ 26,822
Dividends from equity affiliates	943	605
	30,698	27,427
Corporate expense	(2,308)	(2,374)
EBITDA	$ 28,390	$ 25,053
Reconciliation to net income:		
EBITDA	$ 28,390	$ 25,053
Less dividends from equity affiliates	(943)	(605)
Depreciation and amortization	(14,567)	(13,017)
Investment income	475	527
Interest expense	(3,263)	(3,505)
Equity in income of affiliates	1,262	1,353
Other gains	54	411
Income tax	(4,420)	(3,936)
Net income	$ 6,988	$ 6,281

Other Income (Expense)

In 2014, investment income decreased by $0.2 million primarily due to a reduction in patronage dividends.

Interest expense decreased by $0.1 million in 2014 primarily due to significant reductions in debt outstanding.

Equity in earnings of affiliates in 2014 increased by less than $0.3 million primarily due to 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 2014 and 2013, represent effective tax rates of 38.7% and 39.5%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income in the nine months of 2014 was $7.0 million, or $312.89 per share (basic and diluted), compared to a net income last year of $6.2 million, or $264.65 per share (basic and diluted). The 2013 nine month period included $0.4 million, or $10.79 per share from the sale of the CATV system. 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.

In May 2014 the company secured a $25 million line of credit facility with an affiliated partner, which will expire on June 30, 2015. The Company continues to pursue the refinancing of this line, and expects to have a replacement line of credit in place during the fourth quarter of 2014.

On October 14, 2014 a subsidiary of the Company borrowed $15.0 million from its Chairman~~d~~ and CEO to fund, inpart, its deposits to participate 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 fro the FCC, estimated in the First Quarter of 2015, or October 14, 2015.

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 September 30, 2014: LICT spent $7.1 million on such stimulus projects, of which it has recovered $4.9 million and expects to recover an additional $1.7 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 September 30, 2014 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	$ 46,138	$ 6,974	$ 21,853	$ 16,236	$ 1,075
Operating leases	885	156	485	244	--
Notes payable to banks, principal only	20,900	20,900	--	--	--
Interest on debt and notes	7,230	3,100	3,522	608	--
Total contractual cash obligations and commitments	$ 75,153	$ 31,130	$ 25,860	$ 17,088	$ 1,075

At September 30, 2014, total debt (including notes payable to banks) was $67.0 million, a decrease of $4.8 million from December 31, 2013. At September 30, 2014, there was $38.1 million of fixed interest rate debt outstanding, averaging 6.7%, and $8.1 million of variable interest rate debt, averaging 3.4%. The debt at fixed interest rates includes $30.2 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 September 30, 2014, the ratio of total debt to total EBITDA, on a trailing twelve month basis, was 1.7 to 1. Certain subsidiaries have higher debt to EBITDA profit ratios.

As of September 30, 2014, LICT had current assets of $25.9 million and current liabilities of $38.5 million resulting in negative working capital of $12.6 million compared to negative $13.3 million at December 31, 2013.

Sources and Uses of Cash

Cash at September 30, 2014, was $11.0 million, a increase of $1.7 million compared to December 31, 2013. In the nine months of 2014, net cash provided by operations of $16.1 million was primarily used to invest in plant and equipment and repay debt.

In the nine months, capital expenditures were $13.7 million in 2014 compared to $13.2 million in 2013, of which 54% and 57% 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, 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 $1.4 million in the nine months of 2013 compared to $1.3 million in the current period.

The Company's Board of Directors has authorized the purchase of up to 5,000 shares of the Company's common stock. Through September 30, 2014, 4,310 shares have been purchased at an average investment of $2,759 per share, including 159 shares purchased in 2014 at an average investment of $3,214 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.