LICT CORPORATION

Quarterly Report for period ended March 31, 2012

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

	March 31, 2012	December 31, 2011	Restated March 31, 2011	As Reported March 31, 2011
ASSETS				
Current assets:				
Cash and cash equivalents	$ 8,598	$ 11,705	$ 14,385	$ 14,385
Receivables, less allowances of $841, $913 and $896, respectively	7,663	8,304	6,516	6,516
Material and supplies	3,512	3,076	2,814	2,814
Income tax receivable	--	1,322	--	--
Prepaid expenses and other current assets	2,772	3,250	1,676	1,676
Total current assets	22,545	27,657	25,391	25,391
Property, plant and equipment:				
Land	1,114	1,114	1,114	1,114
Buildings and improvements	19,085	19,084	18,747	18,747
Machinery and equipment	289,501	295,666	285,227	283,907
	309,700	315,864	305,088	303,768
Accumulated depreciation	(212,758)	(216,769)	(207,258)	(207,056)
	96,942	99,095	97,830	97,712
Goodwill	59,465	59,465	62,540	62,540
Other intangibles	2,913	3,690	3,828	3,828
Investments in and advances to affiliated entities	3,355	3,904	5,072	5,072
Other assets	8,647	8,752	10,129	10,129
Total assets	$ 193,867	$ 202,563	$ 204,790	$ 203,672

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2012	December 31, 2011	Restated March 31, 2011	As Reported March 31, 2011
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Notes payable to banks	$ 6,352	$ 15,535	$ 13,060	$ 13,060
Trade accounts payable	2,541	3,684	2,936	2,936
Accrued interest payable	329	380	337	337
Accrued liabilities	9,774	7,120	7,330	7,321
Current maturities of long-term debt	8,869	9,840	11,815	11,815
Total current liabilities	27,865	36,559	35,478	35,469
Long-term debt	65,394	74,910	83,545	83,545
Deferred income taxes	16,650	16,488	11,616	11,494
Liability for unrecognized tax benefits	37	563	585	585
Other liabilities	5,650	5,620	6,318	5,551
Total liabilities	115,596	134,140	137,542	136,644
Commitments and contingencies				
Shareholders' equity				
Common stock, $0.0001 par value-10,000,000 shares authorized; 26,637.50, issued; 23,492.37, 23,538.37 and 23,957.37 outstanding	--	--	--	--
Additional paid-in capital	16,637	16,637	16,637	16,637
Retained earnings	70,277	60,372	58,237	58,017
Accumulated other comprehensive income	52	30	54	54
Treasury stock, 3,145.13, 3,099.13 and 2,680.13 shares, at cost	(9,040)	(8,943)	(8,009)	(8,009)
Shareholders' equity attributable to LICT	77,926	68,096	66,919	66,699
Noncontrolling interests	345	327	329	329
Total shareholders' equity	78,271	68,423	67,248	67,028
Total liabilities and shareholders' equity	$ 193,867	$ 202,563	$ 204,790	$ 203,672

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, 2012	Restated 2011	As Reported 2011
Revenues	$ 23,132	$ 22,195	$ 22,153
Costs and expenses:			
Cost of revenue, excluding depreciation	10,563	9,751	9,751
General and administrative costs at operations	3,437	3,487	3,487
Corporate office expenses	899	714	714
Depreciation and amortization	4,515	4,287	4,269
Total Expense	19,414	18,239	18,221
Operating profit	3,718	3,956	3,932
Other income (expense):			
Investment income	555	662	662
Interest expense	(1,433)	(1,676)	(1,676)
Equity in earnings of affiliated companies	317	564	564
Gain on sale of spectrum	11,559	--	--
	10,998	(450)	(450)
Income before income taxes	14,716	3,506	3,482
Provision for income taxes	(4,793)	(1,331)	(1,322)
Net income before noncontrolling interests	9,923	2,175	2,160
Noncontrolling interests	(18)	(20)	(20)
Net income attributable to LICT	$ 9,905	$ 2,155	$ 2,140
Basic and diluted weighted average shares outstanding	23,535.14	23,976.64	23,976.64
Basic and diluted earnings per share:			
Net income before noncontrolling interests	$ 421.62	$ 90.71	$ 90.12
Net income attributable to LICT	$ 420.86	$ 89.88	$ 89.29
Net earnings per share, included above, attributable to:			
Sale of spectrum	$ 324.15	--	--
Expiration of uncertain income tax positions	$ 14.02	--	--
Basic and diluted earnings per share excluding the Sale of spectrum and Expiration of uncertain income tax positions:			
Net income before noncontrolling interests	$ 83.45	$ 90.71	$ 90.12
Net income attributable to LICT	$ 82.69	$ 89.88	$ 89.29

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	Accumulated Other Comprehensive Income	Treasury Stock	Non-controlling Interest	Total
Balance at December 31, 2011	23,538.37	$ --	$ 16,637	$ 60,372	$ 30	$ (8,943)	$ 327	$ 68,423
Net income for the period	--	--	--	9,905	--	--	18	9,923
Unrealized gain on available for sale securities, net	--	--	--	--	22	--		22
Comprehensive income								9,945
Purchase of Treasury Stock	(46.00)	--	--	--	--	(97)		(97)
Balance at March 31, 2012	23,492.37	$ --	$ 16,637	$ 70,277	$ 52	$ (9,040)	$ 345	78,271

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,		
	2012	**Restated 2011**	**As Reported 2011**
Operating activities:			
Net Income attributable to LICT	$ 9,905	$ 2,155	$ 2,140
Adjustments to reconcile net income attributable to LICT to net cash provided by operating activities:			
Depreciation and amortization	4,515	4,287	4,270
Equity in earnings of affiliated companies	(317)	(564)	(564)
Distributions received from affiliated companies	866	760	760
Gain on sale of spectrum	(11,559)	--	--
Uncertain income tax benefit	(330)	--	--
Noncontrolling interest	18	20	20
Changes in operating assets and liabilities:			
Accounts receivables	641	832	832
Income tax payable/ receivable	4,743	623	614
Accounts payable and accrued liabilities	(1,712)	66	66
Other	(239)	(76)	(72)
Net cash provided by operating activities	6,531	8,103	8,068
Investing activities:			
Capital expenditures	(2,383)	(3,549)	(3,514)
Stimulus grant spending	(468)	--	--
Stimulus grant recoveries	469	--	--
Proceeds from sale of spectrum	12,312		
Other	179	80	80
Net cash provided by (used in) investing activities	10,109	(3,469)	(3,434)
Financing activities:			
Issuance of long term debt	201	--	--
Repayments of long term debt	(10,668)	(2,816)	(2,816)
Net borrowing (repayment) on lines of credit	(9,183)	(2,600)	(2,600)
Purchase of treasury stock	(97)	(56)	(56)
Net cash used in financing activities	(19,747)	(5,472)	(5,472)
Net increase (decrease) in cash and cash equivalents	(3,107)	(838)	(838)
Cash and cash equivalents at beginning of period	11,705	15,223	15,223
Cash and cash equivalents at end of period	$ 8,598	$ 14,385	$ 14,385
Cash paid for:			
Interest expense	$ 1,466	$ 1,499	
Income taxes	830	592	
Non cash transactions:			
Purchases of property, plant and equipment included in payables or accruals at:			
- End of period	153	90	
- Beginning of period	359	549	
Long term note issued for contingent consideration	--	2,000	

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, 2011. 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, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. 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.

In 2011, a subsidiary of the Company voluntarily changed its method of accounting for upfront payments by customers to cover non-recurring charges, negotiated as part of the terms of the sales contract, for its non-regulated business. The first quarter of 2011 has been restated for such change. Previously, the subsidiary followed the rules mandated for the regulated telephone companies for what is referred to as "Aid to Construction" and recorded the upfront payments as a reduction of the cost of the project and the reduced amount was depreciated over the useful life of the assets. Under the new policy, the assets would be recorded at the gross cost and the upfront payment would be recorded as deferred revenue on the balance sheet and amortized into income over the life of the contract. The restatement did not result in a significant change to the statement of operations or the balance sheet.

B. Sale of spectrum

On February 16, 2012, the Company closed on the sale of its eight 700MHz licenses for $12.8 million. This resulted in a net gain of $7.7 million, or $324 per share.

C. Investments in Affiliated Companies

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

In May 2012, Verizon, the General Manager of RSA #2, informed the Company of a $1.4 million reduction in the original estimate of the partnership's 2011 earnings which resulted in the Company reducing its 2011 equity in earnings of affiliated companies from amounts reported in the Company's 2011 quarterly reports. First quarter 2011 results have not been restated.

D. Indebtedness

LICT maintains a short-term line of credit facility totaling $17.5 million, which declines by $0.6 million per quarter starting June 30, 2012. Borrowings under this and earlier facilities were $6.4 million, $15.5 million and $13.1 million at March 31, 2012, December 31, 2011 and March 31, 2011, respectively. Borrowing under the line of credit facility are included in Notes payable to banks. Long-term debt consists of (all interest rates are at March 31, 2011) (in thousands):

	March 31, 2012	**December 31, 2011**	**March 31, 2011**
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%. (5.3% weighted average, secured by assets of the telephone companies with a net book value of $150 million)	$ 18,135	$ 25,581	$ 28,332
Bank Credit facilities utilized by certain telephone and telephone holding companies due through 2017, at variable interest rates averaging 3.8%	20,365	22,531	29,045
Unsecured notes issued in connection with acquisitions at fixed interest rates averaging 8.4%	34,735	34,734	36,738
Other	1,028	1,904	1,245
	74,263	84,750	95,360
Current maturities	(8,869)	(9,840)	(11,815)
	$ 65,394	$ 74,910	$ 83,545

In January 2011, $2 million of subordinated notes were issued to the management of Western New Mexico Telephone Company resulting from contingent consideration contained in a 2006 purchase agreement. The Company's acquisition of the 17% noncontrolling interest in Lynch Telephone Corporation from the management in 2006, included contingent consideration of $2 million of subordinated notes, issuable in five years from the purchase date if certain conditions were met.

E. Comprehensive Income

Other comprehensive income, net of tax, which consists of unrealized gains (losses) on available for sale securities, as of March 31, 2012, December 31, 2011 and March 31, 2011 are as follows (in thousands):

	Unrealized Gain (Loss)	**Tax Effect**	**Net**
		(in thousands)	
Balance at December 31, 2011	$ 45	$ (15)	$ 30
Unrealized gains on available for sale securities, net	33	(11)	22
Balance at March 31, 2012	$ 78	$ (26)	$ 52
Balance at March 31, 2011	$ 82	$ (28)	$ 54

F. Litigation

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

G. Related Party Transactions

At March 31, 2012, December 31, 2011 and March 31, 2011, assets of $4.6 million, $7.7 million and $10.9 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 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 is an integrated communications company engaged primarily in providing an array of communications services to our residential, business, and governmental customers. Our communications services include local and long-distance, network access, private line (including special access), public access, broadband, data, managed hosting (including cloud hosting), location, wireless, video and security alarm services. The Company is organized under separate operating locations and provides services in the following states: California, Illinois, Iowa, Kansas, Michigan, New Hampshire, New Mexico, New York, Oregon, Utah and Wisconsin. Our RLEC's (Rural Local Exchange Carriers) provide services to sparsely populated, rural areas and range in size from 600 to 6,600 access lines. Our CLEC's (Competitive Local Exchange Carriers) provide services to customers in more populous areas adjoining, or in proximity to, our regulated RLEC territories.

The telecommunications industry in general and the RLECs that comprise LICT's business face a number of economic or industry-wide issues and challenges.

- Regulatory- The Telecommunications Act of 1996 and other federal and state legislation and regulations have a significant impact on the industry and on rural carriers in particular. LICT's telephone companies are all RLECs serving very high cost areas with a significant portion of their revenues derived from federal or state support mechanisms, which are referred to as Universal Service Funds ("USF"). The revenues and margins of our RLEC subsidiaries are largely dependent on the continuation and level of such support mechanisms.

- Competition- The effects of competition from other telecommunications providers including cable television companies, CLECs, internet, wireless service, and Voice over Internet Protocol ("VoIP") is an industry-wide issue that is felt to varying degrees by our RLECs.

- The economy- Unemployment, building starts, business bankruptcies and the overall health of the economy have a significant effect on demand for our services.

- Market challenges- Our RLECs are required to comply with industry-wide initiatives such as local number portability and the requirements of the Communications Assistance for Law Enforcement Act ("CALEA") that are expensive to implement and that in some cases have limited demand in our markets.

LICT generates cash and earns telecommunications revenues primarily from local network access, intrastate and interstate access revenue and from state and federal USF support mechanisms. The Company's regulated telephone operations, revenues and operating expenses, although relatively stable period to period, are subject to increasing competitive pressures, which gradually reduce revenue and profitability.

- Local Revenues - The number of access lines is the primary driver of local network access revenues. In addition, the ratio of business to residential lines, as well as the number of features subscribed to by customers, are secondary drivers.

- Intrastate access revenues - Customer usage, primarily based on minutes of use, and the number of access lines are the primary drivers of intrastate access revenues since the Company's RLECs are on a "bill-and-keep" basis.

- Interstate Access Revenues - All of our RLECs participate in both the common line and traffic-sensitive National Exchange Carrier Association ("NECA") access pools. Interstate access revenues depend upon whether the RLEC has elected to be "cost-based" or has remained an "average schedule" carrier. The revenues of our ten cost-based carriers directly correlate to the rate-of-return on regulated net investment earned by the NECA access pools plus the interstate portion of regulated operating expenses including taxes. The revenues of the Company's five average schedule subsidiaries are derived based on national formulas with usage based measurements such as access lines, interstate minutes-of-use, and the number and mileage of different types of circuits. The average schedule formulas are intended to be a proxy for cost-based recovery.

- USF subsidies - The primary drivers of USF subsidies are investments in specific types of infrastructure, as well as certain operating expenses and taxes of the Company. Interstate and intrastate USF subsidies are included in the respective interstate and intrastate access revenue captions in the breakdown of revenue and operating expenses which follows.

- Other business revenue - LICT's companies also provide broadband data related services, including Internet access service, wireless and long distance resale service, in certain of its telephone service and adjacent areas. LICT also provides local telephone and other telecommunications service outside certain of its incumbent local exchange carrier ("ILEC") areas with CLEC operations in selected nearby areas. In addition, certain of LICT's companies have expanded into cable TV and security businesses in the areas in which they operate.

- Long Distance revenues are only retained by the Company if it is providing the long distance service to the end user customer as the toll provider. For unaffiliated inter-exchange carriers who contract with LICT for billing services, the Company provides billing services and receives an administrative handling fee as well as access fees for originating and terminating calls.

The following are material opportunities, challenges and risks that LICT's executives are currently focused on, as well as actions that are being taken to address the concerns:

- Universal Service ("USF"), Intercarrier Compensation ("ICC") and Access Charge Reform - In November 2011, the FCC issued its USF/ICC Order and Further Notice of Proposed Rulemaking ("FNPRM"). The FCC created the Connect America Fund ("CAF"), which will ultimately replace all existing high-cost support mechanisms. For ICC, the FCC adopted a uniform national bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with a LEC. This Order and FNPRM effectuates the requirements put forth in the National Broadband Plan, which the FCC released to Congress in March 2010, setting the roadmap for achieving universal broadband by 2020. The plan recommends a comprehensive reform of the current universal service mechanisms to support the deployment of broadband including ensuring that low-income Americans can afford broadband. Some USF and ICC changes were effective January 2012 and many of the changes do not take effect until July 2012. In addition, on April 25, 2012, the FCC issued additional Orders modifying certain aspects of the November USF/ICC rulings which management is still analyzing. Since part of the FCC Order deferred decisions to the FNPRM on numerous items for rate-of-return carriers, such as those owned by LICT, it is still not possible to determine the total impact of the reforms that will impact LICT in the coming years.

- The Company is experiencing revenue losses as usage shifts from landline service provided by the Company's subsidiaries to wireless or VoIP services. Effective January 1, 2012, VoIP traffic is required to pay access charges in order to contribute for use of the underlying network on which the VoIP call travels. The April 25, 2012 Order provides a transitional mechanism to charge VOIP traffic until June 30, 2014.

- 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.

First quarter ended March 31, 2012 compared to 2011

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

	Three months ended March 31,		
	2012	Restated 2011	As Reported 2011
		(Unaudited)	
Revenues:			
Local access	$ 2,796	$ 2,823	$ 2,823
Interstate access	8,845	8,970	8,970
Intrastate access	2,610	2,549	2,549
Other business	8,881	7,853	7,811
Total	23,132	22,195	22,153
Operating Cost and Expense:			
Cost of revenue, excluding depreciation	10,563	9,751	9,751
General and administrative costs at operations	3,437	3,487	3,487
Corporate office expenses	899	714	714
Depreciation and amortization	4,515	4,287	4,269
Total	19,414	18,239	18,221
Operating profit	$ 3,718	$ 3,956	$ 3,932

Total revenues in 2012 increased $0.9 million, or 4.2%, to $23.1 million compared to $22.2 million in 2011. Local access revenue were about the same as in 2011 resulting from a 3.4% decrease in access lines offset by the sale of additional services and features. The decrease in access lines is due to the shift by consumers from landline to wireless and VOIP services. Prior to 2012, VoIP traffic did not pay access charges or contribute to universal service. Interstate access revenue decreased $0.1 million in 2012, due to a reduction of minutes of use, and reduced USF funding due to a lower rate base at several of our operations. Intrastate access revenue increased $0.1 million due to an increase in state USF support at our California operation, somewhat offset by a reduction of minutes of use at several of our companies. Broadband and other services revenues increased $1.0 million primarily due to the sale of additional broadband circuits outside of our regulated service territory, additional video revenue and increased DSL penetration.

Total costs and expenses were $19.4 million in 2012 and $18.2 million in 2011. Costs of revenue increased $0.8 million, primarily due to increased costs from the growing internet and cable television operations as well as start up costs for certain CLEC operations. General and administrative costs incurred at the operations decreased $0.1 million. Corporate office expenses increased $0.1 million. Depreciation and amortization increased by $0.2 million.

As a result of the above, operating profit in 2012 decreased by $0.2 million to $3.7 million compared to $4.0 million in 2011.

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. In May 2012, Verizon advised us that a technical problem in the operation of their traffic recording system for the Modoc Partnership, which provides cellular service in California RSA #2, had caused its original estimate of earnings and distributions to us in 2011 to exceed the amount actually due by approximately $1.4 million. Verizon also advised us that it would not request a refund to correct this error but instead has proposed to reduce Modoc's 2012 distributions to us by $1.4 million. Our financial statements reflect the equity in earnings of the partnership based on the revised estimate. We have reduced the distributions included in 2011 EBITDA by the $1.4 million, and will amortize that amount into EBITDA as it is earned in 2012.

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

	Three months ended March 31,		
	2012	Restated 2011	As Reported 2011
EBITDA from:			
Operating units	$ 9,132	$ 8,957	$ 8,915
Dividends from equity affiliates	557	760	760
	9,689	9,717	9,675
Corporate expense	(899)	(714)	(714)
EBITDA	$ 8,790	$ 9,003	$ 8,961
Reconciliation to net income:			
EBITDA	$ 8,790	$ 9,003	$ 8,961
Less dividends from equity affiliates	(557)	(760)	(760)
Depreciation and amortization	(4,515)	(4,287)	(4,269)
Investment income	555	662	662
Interest expense	(1,433)	(1,676)	(1,676)
Equity in income of affiliates	317	564	564
Gain on sale of spectrum	11,559	--	--
Income tax	(4,793)	(1,331)	(1,322)
Net income from continuing operations	$ 9,923	$ 2,175	$ 2,160

<u>Other Income (Expense)</u>

In 2012, investment income decreased by $0.1 million primarily due to a reduction in patronage dividends.

Interest expense decreased by $0.2 million in 2012 primarily due to significant reductions in debt outstanding, including a $7.6 million reduction in debt on February 17, 2012 using proceeds from the sale of spectrum.

Equity in earnings of affiliates in 2011 decreased by $0.3 million primarily due to reduced earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2. In May 2012, as previously discussed, Verizon informed the Company of a reduction in the original estimate of Modoc's 2011 earnings which resulted in the Company reducing its 2011 equity in earnings of affiliated companies from amounts reported in the Company's 2011 first quarter report, which is not restated.

On February 16, 2012, the Company closed on the sale of its eight 700MHz licenses resulting in the gain on the sale of spectrum.

<u>Income Tax Provision</u>

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2011 and 2010, represent effective tax rates of 32.6% and 38.0%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes. In 2012, the sale of spectrum was not subject to state income tax. In addition, the 2012 quarter included a benefit of $0.3 million from the expiration of uncertain income tax provisions.

Net Income from continuing operations

Net income from continuing operations in the first quarter of 2012, was $9.9 million, or $421.62 per share (basic and diluted), compared to a net income last year of $2.2 million, or $90.71 per share (basic and diluted). The 2012 quarter included $8.0 million combined, or $338 per share from the sale of spectrum and the expiration of uncertain income tax positions. The Company has no dilutive instruments outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The debt at certain of LICT's subsidiary companies contains restrictions on the amount of funds that can be transferred to their respective parent companies. 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 has obtained additional liquidity by refinancing certain subsidiary debt and by the sale of assets.

The Company is in the process of simplifying its financial structure. In the first quarter of 2012, the Company repaid all of the debt associated with its Michigan operation, freeing up all of its cash flow to Corporate. The Company is next looking to refinance the debt restricting the cash flow from its New Mexico operations.

The Company's $17.5 million line of credit facility with a bank expires on June 30, 2014. Such facility will decrease by $0.6 million quarterly starting June 30, 2012, with the remaining $12.7 million due at maturity. Interest on borrowings will be at LIBOR plus 5.5%. Management believes such extension provides adequate liquidity for at least the next twelve months. Outstanding under the line of credit facility, classified in notes payable to banks, was $6.4 million, $15.5 million and $13.1 million at March 31, 2012, December 31, 2011 and March 31, 2011, respectively.

In 2010, 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 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. To date, through March 31, 2012, the Company spent $3.0 million on such stimulus projects, including $0.5 million in the first quarter of 2012 and has recovered $1.5 million, including $0.5 million in the first quarter of 2012.

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 December 31, 2010 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	$ 74,263	$ 8,869	$ 30,831	$ 23,147	$ 11,417
Operating leases	4,941	859	1,506	1,300	1,276
Notes payable to banks, principal only	6,352	6,352	--	--	--
Interest on debt and notes	13,515	4,601	5,815	2,725	374
Total contractual cash obligations and commitments	$ 99,071	$ 20,681	$ 38,151	$ 27,172	$ 13,067

At March 31, 2012, total debt (including notes payable to banks) was $80.6 million, a decrease of $19.7 million from December 31, 2011. In the first quarter of 2012, the Company used the $12.4 million net proceeds from the sale of spectrum to pay off $7.5 million of long term debt and capital leases and the remainder to reduce notes payable to banks. Income taxes of $3.9 million on the gain will become payable later in 2012. At March 31, 2012, there was $53.9 million of fixed interest rate debt outstanding, averaging 6.9%, and $26.8 million of variable interest rate debt, averaging 4.0%. The debt at fixed interest rates includes $34.7 million of subordinated notes at interest rates averaging 8.0% issued to sellers as part of acquisitions. The long-term debt facilities at certain subsidiaries are secured by substantially all of such subsidiaries' assets, while at other subsidiaries it is secured by the common stock of such subsidiaries. In addition, the debt facilities contain certain covenants restricting distributions to LICT. Substantially all of the subsidiaries' net assets are restricted.

LICT has a manageable degree of financial leverage. As of March 31, 2012, the ratio of total debt to total EBITDA, on a trailing twelve month basis, was 2.3 to 1. Certain subsidiaries have higher debt to EBITDA profit ratios.

As of March 31, 2012, LICT had current assets of $22.5 million and current liabilities of $27.9 million resulting in negative working capital of $5.3 million compared to negative $8.9 million at December 31, 2011.

Sources and Uses of Cash

Cash at March 31, 2012, was $8.6 million, a decrease of $3.1 million compared to December 31, 2011. In the first quarter of 2012, net cash provided by operations of $6.5 million was primarily used to invest in plant and equipment and repay debt.

In the first quarter, capital expenditures were $2.4 million in 2012 compared to $3.5 million in 2011, of which 53% and 61% 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 2010, the Company has taken bonus depreciation deductions for eligible property additions as allowed by the Internal Revenue Service of 50%, starting January 1, 2008, 100%, starting September 9, 2010 through December 31, 2011 and 50% starting January 1, 2012. Such deductions which have the effect of reducing current taxes payable, will continue in 2012, but will increase tax payments in future years.

In February 2012, the Company closed on the sale of its eight 700MHz licenses for $12.8 million. The licenses had a basis of $0.8 million and net of sales cost and income tax, resulted in a net gain of $7.7 million, or $325 per share. Using such proceeds, the Company paid off $7.6 million of long term debt and a capital lease of its Michigan subsidiary.

The Company received distributions from a 25% interest in the Modoc Partnership of $2.7 million in 2011 compared to $1.4 million received in 2010. However, in May 2012, as previously discussed, the Company was informed of a reduction in the original estimate of Modoc's 2011 earnings and distributions. Partnership distributions received in 2011 were approximately $1.4 million more than the revised earnings estimate and 2012 distributions are expected to be reduced. In the first quarter of 2012, the Company received a distribution of $0.8 million before the manager of the partnership discovered the error, resulting in an over-distribution of approximately $0.2 million.

The Company's Board of Directors has authorized the purchase of up to 4,000 shares of the Company's common stock. The Company's bank covenants, however, further restrict share repurchases. Through March 31, 2012, 3,145 shares allowed under the bank covenants had been purchased at an average investment of $2,874 per share, including 46 shares purchased in 2012 at an average investment of $2,113 per share.

The Company has not paid any cash dividends since its inception in 1999.