
LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended September 30, 2022

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LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	\$32,969	\$32,314	\$98,162	\$96,616
Costs and expenses:				
Cost of revenue, excluding depreciation and amortization	15,542	14,624	45,891	43,622
General and administrative costs at operations	2,942	2,960	9,135	9,149
Corporate office expenses	1,180	880	3,533	2,743
Charitable contributions	--	--	141	183
Depreciation and amortization	4,581	4,919	14,654	14,210
Total Costs and Expenses	24,245	23,383	73,354	69,907
Operating profit	8,724	8,931	24,808	26,709
Other income (expense)				
Investment income	97	7	1,020	791
Interest expense	(440)	(277)	(1,016)	(981)
Equity in earnings of affiliated companies	29	48	102	254
Other	12	(50)	(99)	(14)
Total other income (expense)	(302)	(272)	7	50
Income from operations before taxes	8,422	8,659	24,815	26,759
Provision for income taxes	(2,210)	(2,303)	(6,537)	(7,143)
Net income	\$6,212	\$6,356	\$18,278	\$19,616
Weighted average shares outstanding:				
Basic & Diluted average shares outstanding	17,466	18,026	17,603	18,214
Actual shares outstanding	17,437	17,960	17,437	17,960
Earnings per share: from continuing operations				
Basic & Diluted	\$356	\$353	\$1,038	\$1,077

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$32,836	\$42,466
Accounts receivable, less allowances of \$157 and \$169, respectively	6,479	7,180
Material and supplies	10,940	8,212
Deposits, prepaid expenses, and other current assets	4,257	24,068
Total current assets	54,512	81,926
Property, plant and equipment, net	141,597	123,473
Goodwill	48,048	48,048
Other intangibles	29,712	16,392
Investments in and advances to affiliated entities	2,689	3,822
Other assets (a)	10,543	10,476
Total assets	\$287,101	\$284,137
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable	\$5,079	4,388
Accrued interest payable	11	154
Accrued liabilities	11,215	7,720
Current maturities of long-term debt	372	25,577
Total current liabilities	\$16,677	\$37,839
Long-term debt	38,276	21,748
Deferred income taxes	24,315	25,025
Other liabilities	9,639	9,323
Total liabilities	\$88,907	\$93,935
Total shareholders' equity	198,194	190,202
Total liabilities and shareholders' equity	\$287,101	\$284,137

(a) Please note we carry a minority investment at historical cost of \$3.0 million, however, LICT's share of the book value of the investment is approximately \$9.0 million.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Shares of Common Stock Outstanding	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2021	17,871	\$17,859	\$246,303	\$(73,960)	\$190,202
Net income for the period			18,278		18,278
Purchase of Treasury Stock	(434)			(10,286)	(10,286)
Balance at September 30, 2022	17,437	\$17,859	\$264,581	\$(84,246)	\$198,194

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,	
	2022	2021
Operating activities:		
Net income	\$18,278	\$19,616
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	14,654	14,210
Debt cost amortization	26	34
Equity in earnings of affiliated companies	(102)	(235)
Unrealized gains on securities	(90)	(23)
Realized loss on securities	7	34
Deferred income tax provision	(710)	(286)
Changes in operating assets and liabilities:		
Accounts receivable	701	(95)
Income tax payable/receivable	4,004	2,138
Accounts payable and accrued liabilities	511	(690)
Other operating assets and liabilities	(2,066)	(2,568)
Net cash provided by operating activities	35,213	32,135
Investing activities:		
Capital expenditures	(32,675)	(22,763)
Return of FCC deposit	20,000	20,000
Deposit for FCC Auction	--	(20,000)
Acquisition of spectrum licenses	(13,320)	(4,385)
Acquisition of business, net of cash acquired	--	(839)
Sales of securities	182	73
Other investing activities	(67)	31
Net cash (used in) provided by investing activities	(25,880)	(27,883)
Financing activities:		
Repayment of long-term debt	(577)	(852)
Repayments related to line of credit	(25,000)	(40,000)
Proceeds from line of credit	15,000	25,000
Purchase of treasury stock	(10,286)	(12,970)
Proceeds from issuance of long-term debt	1,900	--
Other financing activities	--	(16)
Net cash (used in) financing activities	(18,963)	(28,838)
Net decrease in cash and cash equivalents	(9,630)	(24,586)
Cash and cash equivalents at beginning of period	42,466	67,324
Cash and cash equivalents at end of period	\$32,836	\$42,738

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED 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 affiliated companies on the equity basis of accounting: telecommunications operations in California and Utah (2% to 14% owned through partnerships) and the previously wholly-owned sold rural communication and alarm system subsidiary in New York, in which the Company owns 20%. Marketable securities are measured at fair value and all other investments are measured at cost.

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 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, 2021. 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 months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. 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. Indebtedness

On January 17, 2020, the Company entered into a new credit agreement with CoBank for a \$50.0 million revolving credit facility. The term of the credit agreement is five years and expires on January 17, 2025. The interest rate on the credit facility is based on a spread over secured overnight financing rate (SOFR) and is determined by the Company’s leverage ratio, as defined in the credit agreement. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities. The Company’s borrowing rate at September 30, 2022 is SOFR plus 1.5%. The credit facility is secured by a pledge of the stock of the Company’s subsidiaries. In the first nine months of 2022 and 2021, the average balance of the line of credit outstanding was \$19.5 million and \$33.0 million; the highest amount outstanding for 2022 and 2021 was \$35.0 million and \$50.0 million; and the average interest rate was 2.74% and 2.19%, respectively.

Long-term debt at September 30, 2022, and December 31, 2021 consists of (in thousands):

	September 30, 2022	December 31, 2021
Revolving credit facility from CoBank, at a variable rate of SOFR rate plus 1.5%, which was 3.9% as of September 30, 2022	\$ 25,000	\$ 35,000
Secured notes issued to sellers in connection with acquisitions at fixed interest rate of 6.0%	7,647	7,647
Unsecured notes issued in connection with acquisitions at fixed interest rates of 4.0% and 6.0%	4,101	4,678
Seller note issued in connections with the acquisition of a building in Utah at a fixed rate of 6%	1,000	--
Ten-year mortgage in connection with the acquisition of a building in Utah at a fixed rate of 5.25%	900	--
Total debt	38,648	47,325
Current maturities	(372)	(25,577)
Long term debt	\$38,276	\$21,748

C. Spectrum Transactions

Auction 108 – 2.5 GHz band licenses concluded on August 29, 2022, and LICT Wireless Broadband Company, LLC (“LICT Wireless”), a wholly owned subsidiary, was the winning bidder of 46 licenses in 9 states for \$5.5 million. These newly acquired licenses, along with the various other licenses we have won in past auctions, will further the Company’s efforts to expand our network reach.

In September 2021, the Company deposited \$20.0 million with the FCC to participate in Auction 110, which relates to 3.45-3.55GHz bands. The auction concluded on January 14, 2022, and the Company was the high bidder on twelve spectrum licenses totaling \$7.7 million. In January 2022, the FCC returned \$12.3 million from the original \$20.0 million deposit.

In November 2020, the Company deposited \$20.0 million with the FCC to participate in Auction 107, which relates to mid-band wireless spectrum known as C-Band. The auction concluded on February 24, 2021, with the FCC announcing final results. The Company was the high bidder on five spectrum licenses totaling \$4.3 million.

D. Litigation

The Company or a subsidiary thereof is a party to routine litigation and threatened 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. Acquisition

In April 2021, CentraCom, the Company’s Utah operation, closed on the acquisition of assets and operations of NeboNet. NeboNet is a fixed wireless Internet Service Provider located in Nephi, Utah that offers high speed wireless broadband service in the counties of Juab and Box Elder, Utah. CentraCom will expand and enhance the bandwidth capabilities of the network throughout these communities.

F. Related Party Transactions

As of September 30, 2022, and December 31, 2021, assets of \$5.3 million, and \$3.8 million, which are classified as cash and cash equivalents, were invested in money market funds for which affiliates of the Company's Chairman and Chief Executive Officer serve as investment manager to the respective fund.

G. Other Income

Included in other income are investments in equity securities. The changes in interest income offset most of the increase in interest expense for the third quarter of 2022 compared to 2021.

H. Subsequent Events

LICT continues the process of finalizing the spin – off of our Michigan operation. As background, in 2010, LICT spun off ICTC Group Inc, (“ICTC”), which consisted of two broadband telecommunications companies operating in North Dakota, Inter-Community Telephone Company, LLC and Valley Communications, Inc.

LICT's Board of Directors (the “Board”) increased the Company's authorization to repurchase shares by an additional 500 shares in the fourth quarter of 2022. We will continue to repurchase shares on an opportunistic basis and it is possible no additional shares will be repurchased.

LICT Corporation launched Sound Broadband, a wireless company providing 5G services to businesses and residential customers. Sound Broadband, in partnership with LICT subsidiaries. Sound Broadband is providing new 5G sites to provide rural customers with next-generation technology and higher broadband speeds in December 2022.

LICT Corporation will continue its Shareholder Charitable Contribution program for all registered shareholders. Each registered shareholder will be eligible to designate a charity to which the company will donate \$100 per share on behalf of the shareholder. At LICT, we believe charitable giving is a cornerstone of society and an obligation for those with means to make a difference in the world. As an organization, LICT will have no control over the donations, but we are happy to make them on behalf of our shareholders. Over the past 6 years, LICT has made more than \$6.5 million in charitable contributions.

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

Our history is principally as a provider 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 Mexico, Utah and Wisconsin. Today, the Company provides an array of broadband and communications services, primarily in rural areas but with continuing expansions in adjacent urban communities.

As of September 30, 2022, the Company provided service to 79,632 revenue generating units consisting of 45,250 broadband data lines, 30,399 voice lines, and 3,983 video subscribers. Comparable amounts at September 30 2021 were 43,480, 30,815, and 4,179, respectively. Operations are deployed through 6,080 miles of fiber optic cable, 11,529 miles of copper cable, and 819 miles of coaxial cable and 84 towers.

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

- Broadband services, principally Digital Subscriber Lines ("DSL") and cable modem services, which are increasingly provided through fiber optic facilities;
- Local and long-distance telephone service;
- Video services, including cable television, Internet Protocol Television ("IPTV") and Over the Top;
- 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
- Fixed wireless broadband service, primarily for more remote customers.

The increased demand 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.

The federal and state governments have long policies promoting communication services in rural areas because it benefits the nation. These policies were initially meant for voice service but have expanded to include broadband. 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 federal and state support mechanisms, which are generally referred to as Universal Service Funds ("USF"). We devote considerable management attention to understanding, utilizing, and complying with these various governmental programs, incentives and regulatory structures, including that the rates we can charge for some of our services are regulated by the Federal Communications Commission ("FCC") and in many cases, the various state public utility commission. USF mechanisms change periodically and while there is no certainty that such support programs will continue at the same levels as they have in the past, the FCC's new Alternative Connect America Cost model ("A-CAM") support program, which commenced January 1, 2017, with revisions in 2018 and 2019, and the addition of A-CAM II in Wisconsin in 2019, and which runs through 2028 with a predictable set amount of support has significantly increased the stability and predictability of our USF revenues. The amount of federal support we are receiving comes with the required

obligation to build broadband to a specific number of locations in rural America. A-CAM and A-CAM II replaced two prior legacy FCC USF mechanisms which the Company had been receiving.

Three Months Ended September 30, 2022 compared to 2021

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

	<u>2022</u>	<u>2021</u>
Non-regulated revenues:		
Broadband and related services	\$12,427	\$11,391
Video (including cable modem)	4,475	4,472
Other	1,203	1,212
Total non-regulated revenues	<u>18,105</u>	<u>17,075</u>
Regulated revenues:		
Local access	1,551	1,604
Interstate access	10,959	11,291
Intrastate access	1,929	2,083
Other regulated	425	261
Total regulated revenues	<u>14,864</u>	<u>15,239</u>
Total revenues	<u>32,969</u>	<u>32,314</u>
Operating Cost and Expense:		
Cost of revenue, excluding depreciation and amortization , excluding depreciation	15,542	14,624
General and administrative costs at operations	2,942	2,960
Corporate office expenses	1,180	880
Depreciation and amortization	4,581	4,919
Total operating costs and expenses	<u>24,245</u>	<u>23,383</u>
Operating profit	<u>\$8,724</u>	<u>\$8,931</u>

In the third quarter of 2022, non-regulated revenues increased by \$1.0 million, or 6.0%, to \$18.1 million, from \$17.1 million in 2021. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah (\$0.7 million), New Mexico (\$0.1 million) and Kansas (\$0.2 million) operations. Non-regulated revenues currently represent 55% of our revenue streams and are expected to continue to grow. Regulated revenues decreased by \$0.4 million to \$14.8 million in the third quarter of 2022, from \$15.2 million in 2021. Combining the non-regulated and regulated revenues, total revenues in 2022 increased by \$0.6 million, or 2.0%, to \$32.9 million compared to \$32.3 million in 2021.

Total operating costs and expenses were \$24.2 million in 2022, an increase of \$0.9 million as compared to 2021. The costs of revenue increased by \$0.9 million, due to incremental non-regulated revenue, while corporate expenses increased by \$0.3 million compared to 2021. Depreciation and amortization decreased by \$0.4 million from 2021 to 2022. As a result of the above, operating profit in 2022 decreased by \$0.2 million from \$8.9 million in 2021 to \$8.7 million in 2022.

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. This non-GAAP financial measure eliminates from earnings financial items that have less bearing on our performance.

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

	<u>2022</u>	<u>2021</u>
EBITDA from:		
Operating units	\$14,485	\$14,730
Corporate expense	<u>(1,180)</u>	<u>(880)</u>
EBITDA	<u>\$13,305</u>	<u>\$13,850</u>
Reconciliation to net income:		
EBITDA	\$13,305	\$13,850
Depreciation and amortization	(4,581)	(4,919)
Investment income	97	7
Interest expense	(440)	(277)
Equity in earnings of affiliated companies	29	48
Other	12	(50)
Income tax provision	<u>(2,210)</u>	<u>(2,303)</u>
Net income	<u>\$6,212</u>	<u>\$6,356</u>

Other Income (Expense)

In the third quarter of 2022, investment income increased approximately by \$0.1 million primarily due to an increase in rates to our short-term investments as compared to 2021.

Interest expense increased approximately by \$0.2 million due to higher interest rates in connection with our revolving credit facility with CoBank.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2022 and 2021 represent effective tax rates of 26.2% and 26.6%, respectively.

Net Income

Net income for the third quarter of 2022 was \$6.2 million, or \$356 per basic and diluted share. The 2021 net income was \$6.4 million, or \$353 per basic and diluted share.

Nine Months Ended September 30, 2022 compared to 2021

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

	<u>2022</u>	<u>2021</u>
Non-regulated revenues:		
Broadband and related services	\$36,284	\$33,429
Video (including cable modem)	13,496	13,311
Other	3,538	3,572
Total non-regulated revenues	<u>53,318</u>	<u>50,312</u>
Regulated revenues:		
Local access	4,596	4,789
Interstate access	33,451	34,379
Intrastate access	5,808	6,285
Other regulated	989	851
Total regulated revenues	<u>44,844</u>	<u>46,304</u>
Total revenues	<u>98,162</u>	<u>96,616</u>
Operating Cost and Expense:		
Cost of revenue, excluding depreciation and amortization , excluding depreciation	45,891	43,622
General and administrative costs at operations	9,135	9,149
Corporate office expenses	3,533	2,743
Charitable contributions	141	183
Depreciation and amortization	14,654	14,210
Total operating costs and expenses	<u>73,354</u>	<u>69,907</u>
Operating profit	<u>\$24,808</u>	<u>\$26,709</u>

Non-regulated revenues increased by \$3.0 million, or 6.0%, to \$53.3 million, from \$50.3 million in 2021. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah (\$2.0 million), New Mexico (\$0.4 million) and Kansas (\$0.5 million) and California-Oregon (\$0.1 million) operations. Non-regulated revenues currently represent 54% of our revenue streams and are expected to continue to grow. Regulated revenues decreased by \$1.5 million to \$44.8 million in the first nine months of 2022, from \$46.3 million in 2021. As a result, total revenues for the nine months ended September 30, 2022, increased by \$1.5 million, or 1.6%, to \$98.1 million compared to \$96.6 million in 2021.

Total operating costs and expenses were \$73.3 million in 2022, an increase of \$3.4 million as compared to 2021. The costs of revenue increased by \$2.2 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations remained unchanged. Corporate expenses increased by \$0.8 compared to 2021. Depreciation and amortization increased by \$0.4 million from 2021 to 2022. As a result of the above, operating profit in the first nine months of 2022 decreased by \$1.9 million to \$24.8 million compared to \$26.7 million in 2022.

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.

	<u>2022</u>	<u>2021</u>
EBITDA from:		
Operating units	\$43,136	\$43,845
Corporate expense	(3,533)	(2,743)
Charitable Contributions	(141)	(183)
EBITDA	<u>\$39,462</u>	<u>\$40,919</u>
Reconciliation to net income:		
EBITDA	\$39,462	\$40,919
Depreciation and amortization	(14,654)	(14,210)
Investment income	1,020	791
Interest expense	(1,016)	(981)
Equity in earnings of affiliated companies	102	254
Other	(99)	(14)
Income tax provision	(6,537)	(7,143)
Net income	<u>\$18,278</u>	<u>\$19,616</u>

Other Income (Expense)

In the first nine months of 2022, the Company's investment income increased by \$0.2 million primarily driven from a \$0.5 million dividend received from Aureon Network Services, Inc. versus \$0.2 million in 2021.

Equity in earnings of affiliates decreased by \$0.1 million primarily attributed to the financial performance of DFT Communications.

Other expenses increased by \$0.1 million primarily driven from unrealized losses on marketable securities.

Income Tax Provision

The income tax provision includes federal, state and local taxes. The tax provision for 2022 and 2021 represent effective tax rates of 26.3% and 26.7%, respectively.

Net Income

Net income for the nine months of 2022 was \$18.3 million, or \$1,038 per basic and diluted share. The 2021 net income was \$19.6 million, or \$1,077 per basic and diluted share.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company currently has a five-year, \$50.0 million unsecured Revolving Credit Facility with CoBank. In addition to extending the Revolving Credit Facility through 2025, the loan facility is pledge of the stock of the Company's subsidiaries, and provides for lower borrowing rates, and has more flexible terms. As of September 30, 2022, there was \$25.0 million outstanding under the \$50.0 million facility. The average balance outstanding under the facility was \$19.5 million at an average interest rate of 2.74%.

In September 2022, the company's Utah operations purchased a multi-use building for \$1.7 million in Provo, Utah, that was previously leased. The company's Utah operations secured a 10-year mortgage of \$0.9 million at an annual interest rate of 5.25% and issued a 5-year note of \$1.0 million to the seller at an annual interest rate of 6.00%.

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, 2022, 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, notes to sellers	\$11,748	\$300	\$3,801	\$7,647	--
Mortgage and seller note	1,900	70	152	169	1,509
Revolving credit facility, principal only	25,000	--	25,000	--	--
Interest on debt and notes	7,352	1,724	3,172	2,386	70
Operating leases	7,329	954	1,629	1,337	3,409
Total contractual cash obligations and commitments	\$53,329	\$3,048	\$33,754	\$11,539	\$4,988

At September 30, 2022, total debt was \$38.6 million, a decrease of \$8.7 million from December 31, 2021. The average interest rate for the debt outstanding was 4.40% and 2.3% as of September 30, 2022, and December 31, 2021, respectively. The revolving credit facility contains certain covenants restricting share repurchases, and other items.

As of September 30, 2022, the Company had current assets of \$54.5 million and current liabilities of \$16.7 million resulting in working capital of \$37.8 million compared to \$44.1 million at December 31, 2021.

At September 30, 2022, the Company carries a minority investment at historical cost of \$3.0 million, however, the Company's share of the book value of the investment is probably closer to \$9.0 million.

Sources and Uses of Cash

As of September 30, 2022, cash was \$33.8 million, as compared to \$42.5 million at December 31, 2021. In the first quarter of 2022, the company paid down \$25.0 million of the CoBank revolving credit facility and in June executed a drawdown on the line of \$15 million. During the first nine months of 2022, the company participated in FCC spectrum auction 110, which started in 2021, The FCC announced the results of this auction on January 14, 2022, and the Company acquired twelve licenses of \$7.7 million. Additionally, the company participated in Auction 108 and acquired forty six licenses totaling \$5.5 million.

In the first nine months of 2022, net cash provided by operations was \$35.2 million in addition the Company received \$7.7 million, net from FCC deposits in excess of licenses acquired. These combined amounts were primarily used to invest in plant and equipment (\$32.7 million), and purchase treasury shares (\$10.3 million).

In the first nine months of 2022, capital expenditures were \$32.7 million in 2022 as compared to \$23.1 million in 2021. The increase was primarily related to the expansion of our fiber-to-the-home (FTTH) deployment.

The Company continues to take bonus depreciation deductions for eligible property additions as allowed by the Internal Revenue Service. Starting September 27, 2017, the allowable bonus depreciation deduction increased to 100%. Such deductions have the effect of reducing current taxes payable but will increase tax payments in future years.

The Company's Board of Directors has authorized the purchase of up to 10,164 shares of the Company's common stock. During the first nine months of 2022, 434 shares of company stock were purchased for \$10.3 million, at an average cost of \$23,702 per share. Through September 30, 2022, the Company has purchased 9,273 shares in total.

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. In addition, the Company is expecting to spin-off its Michigan operations in 2023.