LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended March 31, 2024

401 Theodore Fremd Avenue, Rye, New York 10580

(914) 921-8821

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2024	**2023**
Revenues	$33,499	$29,005
Costs and expenses:		
Cost of revenue, excluding depreciation	16,073	14,901
General and administrative costs at operations	2,746	2,632
Corporate office expenses	1,278	1,064
Depreciation and amortization	6,005	5,298
Total Costs and Expenses	26,102	23,895
Operating Profit	7,397	5,110
Other Income (Expense)		
Investment income	894	825
Interest expense	(970)	(637)
Equity Loss in affiliated companies	(27)	--
Unrealized gain / (loss) on Investment	(594)	--
Other	38	(61)
Total Other Income (Expense)	(659)	127
Income from Continuing Operations	6,738	5,237
Provision for income taxes	(1,761)	(1,289)
Income from Continuing Operations, net of tax	4,977	3,948
Income from Discontinued Operations	--	1,510
Tax Provision for Discontinued Operations	--	(358)
Income From Discontinued Operations, net of tax	--	1,152
Net Income	$4,977	$5,100
Basic and Diluted Weighted-Average Shares Outstanding	16,943	17,309
Earnings Per Share:		
Income from continuing operations	$ 294	$ 228
Income from discontinued operations	--	67
Basic and Diluted Earnings Per Share	$ 294	$ 295

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$10,602	$11,545
Accounts receivable, less allowances of $137 and $140, respectively	10,299	7,123
Note receivable from affiliate, including accrued interest	15,600	15,345
Materials and supplies	13,267	16,825
Prepaid expenses and other current assets	5,485	4,417
Total current assets	55,253	55,255
Property, plant and equipment, net	158,389	150,112
Goodwill	48,251	48,251
Other intangibles	34,510	34,590
Investments in affiliated companies	6,776	7,396
Other assets [a]	10,603	11,436
Total assets	$313,782	$307,040
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$4,692	$7,773
Accrued interest payable	550	272
Accrued liabilities	8,888	7,696
Current maturities of long-term debt	76	3,876
Total current liabilities	14,206	19,617
Long-term debt	58,857	49,576
Deferred income taxes	28,885	28,898
Other liabilities	13,715	14,261
Total liabilities	115,663	112,352
Shareholders' equity		
Common stock, $0.01 par value; 10,000,000 shares authorized; 26,831 issued; 16,879 and 16,971 outstanding		
Additional paid-in capital	10,302	10,302
Retained earnings	282,366	277,389
Treasury stock, 9,952 and 9,860 shares, at cost	(94,549)	(93,003)
Total shareholders' equity	198,119	$194,688
Total liabilities and shareholders' equity	$313,782	$307,040

(a) The company carries a minority investment in Aureon Network Services, Inc., at a historical cost of $3.0 million, however, LICT's share of the book value of the investment is probably closer to $9.0 million.

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 Outstanding	**Additional Paid-in Capital**	**Retained Earnings**	**Treasury Stock**	**Total**
Balance at December 31, 2023	16,971	$10,302	$277,389	(93,003)	$194,688
Net income for the period			4,977		4,977
Purchase of Treasury Stock	(92)			(1,546)	(1,546)
Balance at March 31, 2024	16,879	$10,302	$282,366	(94,549)	$198,119

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,	
	2024	**2023**
Cash Flows from Operating Activities:		
Net income	$4,977	$5,100
Income from discontinued operations	--	1,152
Income from continuing operations	4,977	3,948
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,005	5,298
Debt cost amortization	13	51
Equity loss in affiliated companies	27	--
Unrealized loss on investment in MachTen	594	--
Unrealized (gain) loss in other investments	(30)	83
Deferred income tax provision	(13)	64
Changes in operating assets and liabilities:		
Accounts receivables	(2,176)	1,015
Interest on note receivable	(255)	--
Income taxes receivable (payable)	1,753	1,680
Accounts payable and accrued liabilities	(821)	(1,048)
Other assets and liabilities	2,232	(3,160)
Net Cash Provided by Operating Activities from continuing operations	12,306	7,931
Net Cash Provided by Operating Activities from discontinued operations	--	450
Net Cash Provided by Operating Activities	12,306	8,381
Cash Flows from Investing Activities:		
Capital expenditures	(16,354)	(9,676)
Other investing activities	169	65
Net Cash Used in Investing Activities for continuing operations	(16,185)	(9,611)
Net Cash Used in Investing Activities for discontinued operations	--	(2,697)
Net Cash Used in Investing Activities	(16,185)	(12,308)
Cash Flows from Financing Activities:		
Borrowing from line of credit, net	4,500	--
Purchase of treasury stock	(1,546)	(1,513)
Payments to reduce long-term debt	(18)	(18)
Net Cash Provided by (Used in) Financing Activities	2,936	(1,531)
Net (Decrease) in Cash and Cash Equivalents	(943)	(5,458)
Cash and Cash Equivalents at beginning of the period	11,545	26,055
Cash and cash equivalents at end of the period	$10,602	$20,597

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Organization, Basis of Presentation & Recent Accounting Developments

Organization

LICT Corporation and Subsidiaries (the "Company" or "LICT") is an integrated broadband and communications company that trades on the OTC Pink Sheets under the symbol LICT and has not paid cash dividends since its inception in 1990.

LICT's subsidiaries operate in rural communities in eight states, providing regulated and unregulated broadband and communications services including local telephone service, network access, transport, high-speed internet access, long-distance service, cable television, and competitive local exchange carrier (CLEC) services. LICT's operating telephone companies include Western New Mexico Telephone Company in New Mexico; Cuba City Telephone Exchange Company and Belmont Telephone Company in Wisconsin; J.B.N. Telephone Company and Haviland Telephone Company in Kansas; Central Scott Telephone Company in Iowa; Central Utah Telephone, Skyline Telecom and Bear Lake Communications in Utah; and California-Oregon Telephone Company in California.

The Company elected to treat the spin-off of its Michigan businesses as a discontinued operation. As a result, Michigan's contributions to LICT's consolidated operating results and financial position have been separately reported from amounts previously reported in 2023 and 2022 as discontinued operations. (See additional details in Note F.)

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 a former subsidiary, a rural communication and alarm system company in New York (Brick Skirt Holdings Inc.), in which the Company maintains a 12% ownership interest. 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 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, 2023. 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 months ended March 31, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. 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.

Recent Accounting Developments

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 provide improvements primarily related to the rate reconciliation and incomes taxes paid information included in income tax disclosures. The Company would be required to disclose additional information regarding reconciling items equal to or greater than five percent of the amount computed by multiplying pretax income (loss) by the applicable statutory tax rate. Similarly, the Company would be required to disclose income taxes paid (net of refunds received) equal to or greater than five percent of total income taxes paid (net of refunds received). The amendments in ASU 2023-09 are effective January 1, 2025, including interim periods. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company will evaluate the impact of ASU 2023-09 on its financial statements.

We have implemented all new, applicable accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

We have reviewed all other significant newly issued accounting pronouncements and determined that they are either not applicable to our business or that no material effect is expected on our financial position and results of operations.

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 June 30, 2025. The interest rate on the credit facility is based on a spread over SOFR and is determined by the Company's leverage ratio, as defined in the credit agreement. The Company's borrowing rate at March 31, 2024, is SOFR plus 2.0%. The credit facility is secured by a pledge of the stock of the Company's subsidiaries. In the first three months of 2024 and 2023, respectively, the average balance of the line of credit outstanding was $36.1 million and $25.0 million; the highest amount outstanding was $39.0 million and $25.0 million; and the average interest rate was 6.94% and 6.93%, respectively.

Long-term debt at March 31, 2024, and December 31, 2023, consists of (in thousands):

	March 31, 2024	**December 31, 2023**
Long-term debt consists of (all interest rates as of March 31, 2024):		
Revolving credit facility from CoBank, ACB	$39,000	$33,500
Secured notes issued to sellers in connection with acquisitions at fixed interest rate of 6.0%	7,647	7,647
Unsecured notes issued to sellers in connection with acquisitions at fixed interest rates of 4.0% and 6.0%	10,501	10,501
Other at fixed rates of 5.25% and 6%	1,785	1,804
Total Debt	58,933	53,452
Current maturities	(76)	(3,876)
Long-Term Debt	$58,857	$49,576

C. 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.

D. Related Party Transactions

As of March 31, 2024, and December 31, 2023, assets of $2.4 million, and $4.9 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.

The Company has a $15.0 million unsecured note receivable with MachTen which is related to the spin-off of LICT's Michigan operations which occurred on August 31, 2023. The Company has recorded interest income and a related receivable of $0.3 million in the first quarter of 2024.

E. Other Income (Expense)

Other income (expense) for the three months ended March 31, 2024 and 2023, decreased $0.8 million from income of $0.1 million in Q1 2023 to expense of $0.7 million in Q1 2024. The main drivers of this change were as follows:

Investment income was flat year over year and includes a $0.3 million dividend received from Aureon Network Services, Inc., $0.3 million from CoBank Patronage income, and $0.3 million interest income accrued on the notes receivable from MachTen, Inc.

Interest expense increased by $0.3 million due to higher interest rates and higher debt balances in the first quarter of 2024 versus 2023.

In the first quarter of 2024, our investments decreased by $0.6 million primarily due to a lower fair value of the share price in MachTen, Inc.

Other income increased $0.1 million, from expense of $0.6 million in Q1 2023 to income of $0.4 million in Q1 2024. This change reflects gains on sales of investments.

F. Discontinued Operations – (Spin-off of Michigan Businesses)

On August 31, 2023, the Company completed the spin-off of 81% of the shares of LMT Holdings Corporation ("LMT Holding"), which was formally launched as MachTen Inc., "MAC" as an independent company. Each LICT stockholder received 150 shares of MAC common stock for every one share of LICT common stock held at close of business on the record date and LICT retaining 19% of the outstanding stock of MachTen, Inc.

LICT transferred its wholly-owned indirect subsidiary, LMT Holding, and each of LMT Holding's indirect wholly-owned operating subsidiaries, Upper Peninsula Telephone Company ("UPTC"), Michigan Central Broadband Company, LLC ("MCBC"), and Alpha Communications Limited, Inc. ("Alpha" and together with LMT Holding, UPTC and MCBC, the "Michigan Businesses"), to MAC on August 31, 2023 as part of a tax free spinoff.

MANAGEMENT'S DISCUSSION AND ANALYSIS 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, New Mexico, Oregon, 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 March 31, 2024, the Company provided service to 71,994 revenue generating units consisting of 44,770 broadband data lines, 23,704 voice lines, and 3,520 video subscribers. Comparable amounts at March 31, 2023 were 43,008, 24,857, and 3,416 respectively. Operations are deployed through 6,664 miles of fiber optic cable, 9,040 miles of copper cable, and 839 miles of coaxial cable and 95 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;
- Fixed wireless broadband service, primarily for more remote customers.
- 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; and
- Managed Hosting, where we host virtual switchboards for customers

Increasing demand for high-speed connectivity has been a major driver of growth for our Company. In particular, the number of broadband subscribers has grown dramatically in the past few years with transition to remote work, distance learning and other on-line activities and this has further been fueled by the recent surge in new software and technologies, artificial intelligence is a prime example. 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, regardless of the technology.

The federal and state governments have long had a policy of encouraging and promoting telephone, broadband and other communication services in rural areas because it provided a benefit to all Americans and to the nation as a whole. RLECs including those that form the core of our Company, often provide communications services in rural areas where such service would not be economically feasible without numerous federal and state support mechanisms, which are generally referred to as Universal Service Funds ("USF"). Such programs evolve constantly to take into consideration customer needs, as well as new services and technologies, and to encourage RLECs to invest in and support the new technologies and provide new services to their customers. In addition, the rates we can charge for some of our services are regulated by the FCC and in many cases, the various state public utility commissions. There is no certainty that such support USF programs will continue at the same levels as they have in the past.

In 2023, LICT elected to participate in the Federal Communications Commission's ("FCC's") new voluntary Enhanced Alternative Connect America Cost Model ("E-ACAM") program for all of its telephone companies effective January 1, 2024. The E-ACAM program is designed to further increase broadband speed and expand the deployment of broadband capabilities throughout the nation's rural areas. LICT's mandatory build-out requirements of 100/20 Mbps by December 31, 2028 to 19,609 E-ACAM locations is required for receipt of increased E-ACAM support through 2038. E-ACAM, with speed requirements of 100/20, replaced ACAM and ACAM II with their speed requirements of 25/3. Revenues from E-ACAM will be $37.2 million beginning in 2024, as compared to ACAM and ACAM II revenues of $23.2 million in 2023. LICT is actively building and expanding broadband facilities to serve our rural communities. The rural location and speed requirement will necessitate a significant level of additional capital expenditures over the next five years, see Liquidity and Capital Section below.

A portion of LICT's most sparsely populated, remote customer locations will be served high-speed broadband on fiber infrastructure funded, in part, by federal, and state grants. LICT was awarded $157.5 million for seven grants by the United States Department of Agriculture ("USDA") Rural Utilities Service ("RUS") under the ReConnect III and ReConnect IV programs. The total projected cost of these grants is $171.2 million. Five of the grants provide for 100% funding for the project, totaling $116.2 million for our New Mexico and California operations. The Company has also been awarded grants in which we will receive $41.2 million for 75% of project costs in Kansas and New Mexico totaling $55 million, of which, LICT is required to match $13.7 million or 25% of the total project cost. All of these grant projects will build fiber to provide 1 Gig broadband service to customers we serve. Construction has begun on the $8.4 million ReConnect III project in Kansas and the Company is actively working on obtaining environmental clearance on the other six ReConnect grants that LICT was successfully awarded.

The Company's subsidiaries have also applied for state broadband grants. In several cases, they have been successful and have accepted state broadband grants. Iowa was awarded a $4.3 million grant in 2021 for a total project cost of $13.2 million with required capital expenditure funds from the Company. Iowa has been notified by the Iowa state broadband office that an additional $2.9 million has become available under the state grant program and Iowa is in the process of applying for those funds. Iowa commenced construction in 2023 on the multiple-year fiber-to-the-home ("FTTH") construction project and expects completion by 2025. Utah was awarded approximately a $1 million grant, with associated company provided matching funds. Utah has completed engineering on the multiple-year FTTH construction project and also expects completion of the project by 2025. Kansas was the successful recipient of several smaller state grants and has already completed the majority of the required build-outs consistent with the requirements.

As mandated by the FCC, LICT notified customers participating in the FCC's Affordable Connectivity Program ("ACP") that absent the ACP program receiving additional funding from Congress, ACP discounts would have to be terminated in May 2024. ACP supports affordable broadband to the rural communities to help close the digital divide. ACP provides consumers who are eligible, a broadband credit of up to $30 per month (up to $75 for households on Tribal Lands) towards their qualifying internet plan. We offer a variety of broadband options that qualify under the ACP. Since the most economically fragile customers rely on ACP, we informed our ACP customers that LICT will continue an equivalent Extended Broadband Discount ("EBD"), at LICT's cost, through January 31, 2025 for our customers who rely upon this additional financial assistance to get the broadband service they need.

Overall, we believe that the various governmental agencies will continue to encourage and support the provision of modern communications services for people living in high-cost, rural areas. High-speed broadband is essential as people are connecting more for distance learning, remote work, telemedicine, as well as entertainment. We believe that this expansion of communications creates an opportunity for us to successfully develop the Company's business, as rural customers demand additional and better communications infrastructure.

Three Months Ended March 31, 2024 compared to March 31, 2023

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

	2024	2023
Non-regulated revenues:		
Broadband and related services	$16,437	$15,196
Video	1,101	1,192
Other	939	1,000
Total non-regulated revenues	18,477	17,388
Regulated revenues:		
Local access	1,052	1,155
Interstate access	11,877	8,371
Intrastate access	1,799	1,797
Other regulated	294	294
Total regulated revenues	15,022	11,617
Total revenues	33,499	29,005
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	16,073	14,901
General and administrative costs at operations	2,746	2,632
Corporate office expenses	1,278	1,064
Depreciation and amortization	6,005	5,298
Total operating costs and expenses	26,102	23,895

Operating profit	$7,397	$5,110

In the first quarter of 2024, non-regulated revenues increased by $1.1 million, or 6.3%, to $18.5 million, from $17.4 million in 2023. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($1.0 million) and Kansas ($0.1 million) operations. These increased sales came primarily from additional broadband circuits outside of our regulated service territory, added subscribers of broadband services over fiber and cable modems and the sale of communications equipment. Non-regulated revenues currently represent 55.2% of our revenue streams in the first quarter of 2024 and are expected to continue to grow.

Regulated revenues increased by $3.4 million to $15.0 million in the first quarter of 2024, from $11.6 million in 2023. The acceptance of Enhanced ACAM (E-ACAM) accounted for a $3.5 million increase in regulated revenues for the quarter.

Combining the non-regulated and regulated revenues in the first quarter, total revenues in 2024 increased by $4.5 million or 15.5%, to $33.5 million compared to $29.0 million in 2023.

Total operating costs and expenses were $26.1 million in 2024, an increase of $2.2 million as compared to the first quarter of 2023. The costs of revenue increased by $1.2 million, due to the cost of adding incremental non-regulated customers and continued inflationary pressure on labor and supplies, while general and administrative costs incurred at the operations increased by $0.1 million. Corporate expenses increased by $0.2 million compared to 2023. Depreciation and amortization increased by $0.7 million from $5.3 million in 2023. As a result of the above, operating profit in the first quarter increased by $2.3 million from $5.1 million in 2023 to $7.4 million in 2024.

EBITDA

EBITDA is used by our management as a supplemental financial measure to evaluate the operating performance of our business. When viewed with our GAAP results and the accompanying reconciliations, we believe it provides a more complete understanding of the 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 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 statement 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. The Company's management believes strongly in growing intrinsic value. 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.

The following table provides the components of EBITDA and reconciles it to net income from continuing operations as of March 31, 2024, and 2023 (in thousands):

	2024	2023
EBITDA from:		
Operating units	$14,680	$11,472
Corporate expense	(1,278)	(1,064)
EBITDA	$13,402	$10,408
Reconciliation to net income:		
EBITDA	$13,402	$10,408
Depreciation and amortization	(6,005)	(5,298)
Investment income	894	825
Interest expense	(970)	(637)
Equity loss in affiliated companies	(621)	--
Other	38	(61)
Income tax provision	(1,761)	(1,289)
Discontinued operations, net of tax	--	1,152
Net income	$4,977	$5,100

Other Income (Expense)

Other income (expense) for the three months ended March 31, 2024 and 2023, decreased $0.8 million from income of $0.1 million in Q1 2023 to expense of $0.7 million in Q1 2024. The main drivers of this change were as follows:

Investment income was flat year over year and includes a $0.3 million dividend received from Aureon Network Services, Inc., $0.3 million from CoBank Patronage income, and $0.3 million interest income accrued on the notes receivable from MachTen, Inc.

Interest expense increased by $0.3 million due to higher interest rates and higher debt balances in the first quarter of 2024 versus 2023.

In the first quarter of 2024, our investments decreased by $0.6 million primarily due to a lower fair value of the share price in MachTen, Inc.

Other income increased $0.1 million, from expense of $0.6 million in Q1 2023 to income of $0.4 million in Q1 2024. This change reflects gains on sales of investments.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for the first quarter of 2024 and 2023 represent effective tax rates of 26.1% and 24.4%, respectively.

Net Income

Net income from continuing operations for the first quarter of 2024 was $5.0 million, or $294 per basic and diluted share versus $3.9 million, or $228 per basic and diluted share in the first quarter of 2023. The increase of $1 million is due to the impact of LICT's participation in the E-ACAM program which was effective January 1, 2024. Revenues from E-ACAM will be $37.2 million beginning in 2024, as compared to ACAM and ACAM II revenues of $23.2 million in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

LICT closed on a five year, $50 million secured Revolving Credit Facility with CoBank in January of 2020. This loan facility provides for lower borrowing rates. On May 1, 2024 the Company extended this line through June 30, 2025. In addition to extending the Revolving Credit Facility through 2025, the loan facility provides for lower borrowing rates and has more flexible terms. As of March 31, 2024, there was $39 million outstanding under the $50 million facility. The average balance outstanding under the facility was $36.1 million at an average interest rate of 6.94%.

Prior to the MachTen spin-off, LMT-Holdings Inc. declared a $15 million distribution due to LICT (refer to the Company's 2023 annual report for further detail on the MachTen spin-off). This distribution was in the form of a note with a maturity date of August 30th, 2024, with an interest rate based on the Secured Overnight Financing Rate (SOFR) + 1.5%.

The Company is obligated under long-term debt provisions and lease agreements to make certain cash payments over the term of the agreements. The following table summarizes, as of March 31, 2024, 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	1 year	2 – 3 years	4 – 5 years	Over 5 years
Long-term debt, notes to sellers, principal only	$18,148	--	$7,647	$10,501	--
Debt on Building acquisition, principal only	1,785	76	165	1,184	360
Revolving credit facility with bank, principal only	39,000	--	39,000	--	--
Interest on debt and notes	7,819	4,119	2,833	505	362
Operating leases	6,198	1,008	1,794	1,433	1,963
Total contractual cash obligations and commitments	$72,950	$5,203	$51,439	$13,623	$2,685

As of March 31, 2024, the Company had current assets of $54.3 million and current liabilities of $18.0 million resulting in working capital of $36.3 million compared to working capital of $35.7 million at March 31, 2023.

Sources and Uses of Cash

Cash at March 31, 2024 was $10.6 million, as compared to $11.5 million at March 31, 2023. In the first quarter of 2024, the Company executed a drawdown on the line of credit of $5.5 million (of the $5.5 million, $1.0 million was drawn down on March 29, 2024 but not received until April 1, 2024). During the first quarter of 2024, net cash provided by operating activities of $12.3 million was primarily used to invest in plant and equipment ($16.4 million), and purchase treasury shares ($1.5 million).

In the first quarter of 2024, capital expenditures were $16.4 million as compared to $9.7 million in 2023, an increase of $6.7 million. The increase was primarily due to the buildout requirements for E-ACAM and Federal and State grants, as well as our non-regulated markets in 2024.

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%. However, currently, bonus depreciation in 2024 is limited to 60%. 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 10,715 shares of the Company's common stock. During the first quarter of 2024, 92 shares of company stock were purchased at an average investment of $16,796 per share.