LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended September 30, 2024

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Operating Revenues	$33,687	$28,814	$100,870	$86,908
Operating Expenses:				
Cost of revenue	17,318	15,227	50,153	44,759
General and administrative costs at operations	2,701	2,765	8,177	8,148
Corporate office expenses	1,040	1,395	3,478	3,626
Depreciation and amortization	5,562	4,591	17,369	14,656
Total Operating Expenses	26,621	23,978	79,177	71,189
Operating Income	7,066	4,836	21,693	15,719
Other Income (Expense)				
Investment income	265	143	1,473	1,124
Interest expense	(1,177)	(629)	(3,243)	(1,894)
Unrealized loss on investment	(151)	-	(788)	-
Equity in earnings of affiliated companies	-	49	225	74
Other	(863)	(134)	(828)	(245)
Total Other Income (Expense)	(1,926)	(571)	(3,161)	(941)
Income from Continuing Operations	5,140	4,265	18,532	14,778
Provision for income taxes	(1,357)	(935)	(4,898)	(3,186)
Income from Continuing Operations, net of tax	3,783	3,330	13,634	11,592
Income (Loss) from Discontinued Operations	-	(157)	-	2,270
Tax Provision (Benefit) for Discontinued Operations	-	34	-	(489)
Income From Discontinued Operations, net of tax	-	(123)	-	1,781
Net Income	$3,783	$3,207	$13,634	$13,373
Basic & Diluted Weighted-Average Shares Outstanding	16,624	17,109	16,780	17,213
Earnings Per Share:				
Income from continuing operations	$228	$195	$813	$674
Income from discontinued operations [(a)]	-	(7)	-	103
Basic and Diluted Earnings Per Share	$228	$187	$813	$777

(a) *Adjusted for the spinoff of MachTen on August 31, 2023 – see footnote E. Discontinued Operations*

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2024	December 31, 2023
Assets		
Current Assets:		
Cash and cash equivalents	$14,441	$11,545
Accounts receivable, less allowances of $188 and $140, respectively	10,943	7,123
Note receivable from affiliate, including accrued interest	-	15,345
Materials and supplies	14,049	16,825
Prepaid expenses and other current assets	4,041	4,417
Total Current Assets	43,474	55,255
Property, plant and equipment, net	174,583	150,112
Goodwill	48,251	48,251
Other intangibles	34,236	34,590
Investments in affiliated companies	7,152	7,396
Other assets (b)	15,197	11,436
Total Assets	$322,893	$307,040
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$7,553	$7,773
Accrued interest payable	66	272
Accrued liabilities	8,672	7,696
Current maturities of long-term debt	33,587	3,876
Total Current Liabilities	49,878	19,617
Long-term debt	27,817	49,576
Deferred income taxes	28,790	28,898
Other liabilities	14,656	14,261
Total Liabilities	71,263	112,352
Shareholders' Equity		
Common stock, $0.01 par value; 10,000,000 shares authorized; 26,831 issued; 16,540 and 16,971 outstanding		
Additional paid-in capital	10,302	10,302
Retained earnings	291,023	277,389
Treasury stock, 10,291 and 9,860 shares, at cost	(99,573)	(93,003)
Total shareholders' equity	201,752	$194,688
Total Liabilities and Shareholders' Equity	$322,893	$307,040

(b) 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 as of December 31, 2023	16,971	$10,302	$277,389	$(93,003)	$194,688
Net income for the period	-	-	13,634	-	13,634
Purchase of Treasury Stock	(431)	-	-	(6,570)	(6,570)
Balance as of September 30, 2024	16,540	$10,302	$291,023	$(99,573)	$201,752

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,	
	2024	**2023**
Cash Flows from Operating Activities:		
Net income	$13,634	$13,373
Income from discontinued operations	-	1,781
Income from continuing operations	13,634	11,592
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	17,369	14,656
Debt cost amortization	40	40
Equity (gain) in affiliated companies	(225)	(74)
Unrealized loss on investment in MachTen	788	-
Unrealized loss in other investments	63	167
Realized loss on investment	238	99
Deferred income tax provision	(108)	44
Changes in operating assets and liabilities:		
Accounts receivables	(3,820)	239
Interest on note receivable	345	(88)
Income taxes payable	1,049	980
Accounts payable and accrued liabilities	1,497	1,511
Other assets and liabilities	(947)	(4,309)
Net Cash Provided by Operating Activities from continuing operations	29,923	24,857
Net Cash Used in Operating Activities from discontinued operations	-	(2,611)
Net Cash Provided by Operating Activities	29,923	22,246
Cash Flows from Investing Activities:		
Capital expenditures	(43,490)	(29,905)
Investment in KFN (Kansas Fiber Network)	-	(395)
Other investing activities	81	537
Net Cash Used in Investing Activities for continuing operations	(43,409)	(29,763)
Net Cash Used in Investing Activities for discontinued operations	-	(2,653)
Net Cash Used in Investing Activities	(43,409)	(32,416)
Cash Flows from Financing Activities:		
Proceeds from the line of credit	16,500	5,000
Repayments to the line of credit	(16,500)	(4,000)
Proceeds from notes receivable affiliate	15,000	-
Promissory note proceeds	8,003	-
Purchase of treasury stock	(6,570)	(4,986)
Payments to reduce long-term debt	(51)	(354)
Net Cash Provided by (Used in) Financing Activities	16,382	(4,340)
Net Increase (Decrease) in Cash and Cash Equivalents	2,896	(14,510)
Cash and Cash Equivalents at beginning of the period	11,545	26,055
Cash and cash equivalents at end of the period	$14,441	$11,545

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 as discontinued operations. See additional details in Note E.

The Company has other, less than 50% owned interests, which contribute significant value to the Company.

Aureon Network Services, Inc. ("Aureon") formerly Iowa Network Services, Inc. A wholly-owned subsidiary owns 1,115 shares of Aureon participating preferred stock and 172 shares of Aureon common stock – equating to a 2.56% economic interest. Aureon provides wireline telecommunications access and transport services, long distance, video, and internet to the exchanges of participating telephone companies and other retail and wholesale customers. The company carries its investment in Aureon at a historical $3 million cost.

CVIN LLC ("CVIN"). A wholly-owned subsidiary owns an interest of approximately 2.3% in CVIN, which owns and operates a fiber optic network in the Central Valley and northern areas of California. CVIN provides certain telecommunication support services to its ownership affiliates and others. CVIN generates approximately $22 million in annual revenue and approximately $14 million in annual EBITDA.

Kansas Fiber Network ("KFN"). Two wholly-owned subsidiaries jointly own an interest of approximately 3% in KFN, a statewide fiber network which was formed in early 2009 by approximately thirty Kansas RLECs. KFN is currently providing fiber optic transport and other services to both its RLEC owners and other customers.

CIBL, Inc. ("CIBL"). A wholly-owned subsidiary owns an interest of approximately 5.9% in CIBL, which owns and operates companies which provide broadband and communication services in Northern New Hampshire.

MachTen Inc., ("MAC"). A wholly owned subsidiary owns an interest of approximately 19% in MAC, which owns and operates companies which provide broadband and communication services in Michigan.

Brick Skirt Holding Company (formerly DFT Communications) – On August 31, 2024, LICT completed the sale of its remaining 12% ownership of Brick Skirt and the company now owns 750 shares of CIBL (see above for further detail of CIBL).

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). 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 and nine months ended September 30, 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 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 (Secured Overnight Financing Rate) and is determined by the Company's leverage ratio, as defined in the credit agreement. The Company's borrowing rate at September 30, 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 nine months of 2024 and 2023, respectively, the average balance of the CoBank line of credit outstanding was $41.7 million and $24.4 million; the highest amount outstanding for 2024 and 2023 was $50.0 million and $26.0 million; and the average interest rate was 7.19% and 6.85%, respectively.

On August 16, 2024, the Company secured an $11 million credit facility with First Central State Bank (FCSB) for the purposes of financing its Iowa (Notice of Funding Availability) NOFA 6 build project. The facility has an initial variable rate of interest of 7.8%, based on the prime rate as published in the Wall Street Journal less .70%. All principal and accrued unpaid interest on the facility is due February 16, 2026. The company intends to use the funds disbursed upon the completion and certification of its Iowa NOFA 6 project to pay down the amounts owed on this facility once those funds become available. As of September 30, 2024, there is $8.0 million outstanding on the facility at a rate of 7.8%.

Long-term debt as of September 30, 2024, and December 31, 2023 consists of (in thousands):

	September 30, 2024	**December 31 2023**
Revolving credit facility from CoBank at SOFR plus 2.0%, expires June 30, 2025	$ 33,500	$ 33,500
Revolving credit facility from FCSB at a variable interest rate of 7.8% in connection with the NOFA buildout, expires February 16, 2026	8,002	-
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 6.0%	10,501	10,501
Other at a fixed rate of 5.25%	1,754	1,804
Total debt	61,404	53,452
Current maturities	(33,587)	(3,876)
Long term debt	$ 27,817	$ 49,576

C. Litigation

The Company or a subsidiary of the company 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 September 30, 2024, and December 31, 2023, assets of $3.8 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.

E. 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. The Company's financial results reflect the spin-off of MachTen at August 31, 2023.

Concurrent with the spin-off, the Company issued MAC a loan of $15 million, at an interest rate of SOFR + 1.5%, due in one year. The principal of the note was repaid in full on August 31, 2024. The Company has agreed to forgive 50% of the interest due on the note ($514K) and convert the remaining 50% due ($514K) into shares of preferred equity in MachTen. The preferred shares have an investment term of three years (September 16, 2024 – September 15, 2027), have a $514K par value, are non-voting and have a 5% cumulative annual dividend payable when the shares are redeemed.

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, 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, 2024 the Company provided service to 76,102 revenue generating units consisting of 49,532 broadband data lines, 23,081 voice lines, and 3,489 video subscribers. Comparable amounts at December 31, 2023, were 74,812, 47,635, 23,836, and 3,341, respectively. Operations are deployed through 6,728 miles of fiber optic cable, 9,040 miles of copper cable, and 843 miles of coaxial cable and 100 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 spreading acceptance and 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.

Effective January 1, 2024, LICT’s RLECs all voluntarily adopted the FCC’s new Enhanced Alternative Connect America Cost model (“E-ACAM”) program which provides funding through 2038 for build-out by December 31, 2028 of at least 100/20 Mbps to almost 20,000 mandatory E-ACAM locations lacking 100/20 Mbps broadband service. E-ACAM increased LICT’s federal USF revenues an incremental $14 million per year ($3.5 million per quarter) to a total of $37.2 million annually through 2038 (subject to a true-up in 2025 for more precise E-ACAM location counts) as compared to $23.2 million received in both 2023 and 2022 for ACAM that would have ended December 31, 2028.

The amount of E-ACAM federal support we are receiving comes with the required obligation to build broadband to specific locations in rural America. E-ACAM replaced A-CAM and A-CAM II which the Company had been receiving.

As previously announced, LICT has been awarded $157.5 million for seven United States Department of Agriculture (USDA) ReConnect III and ReConnect IV grants to build Fiber-To-The-Home ("FTTH") with a total project cost of $171.2 million. The Company has received environmental clearance for two of these projects and is actively working on obtaining environmental clearance for the remaining five grants. Five of these grants provide 100% funding to build fiber projects totaling $117 million in our New Mexico and California operations. The Company has also been awarded grants Kansas and New Mexico in which we will receive 75% funding totaling $55 million and LICT is required to match 25% or $14 million of the total project. We have commenced an $8.4 million project in Kansas to build fiber to provide 1 Gig broadband service.

On October 17, 2024, RUS announced ReConnect V awards for 2 percent fixed rate loans for our Kansas JBN RLEC subsidiary for $6.6 million and New Mexico RLEC for $45 million to build FTTH to provide 1 Gig service.

Supreme Court Ends the Chevron deference doctrine

On June 28, 2024, the U.S. Supreme Court ended the Chevron deference doctrine. With this ruling, the Supreme Court cut back sharply on the power of federal agencies to interpret the laws they administer and ruled that courts should rely on their own interpretation of ambiguous laws. The chief justice of the U.S. Supreme Court, John Roberts, indicated that the court's decision would not require earlier cases that relied on Chevron to be overturned. The decision will likely have far-reaching effects across the country, from environmental regulation to healthcare costs. Management will continue to monitor the impacts of this ruling on the business of the company and specifically the funding provided by government programs.

Petitions to Supreme Court to Review Fifth Circuit USF Decision

The Department of Justice, FCC, various industry associations and public interest groups filed petitions before the Supreme Court requesting it review the decision by the U.S. Court of Appeals for the Fifth Circuit that found the USF contribution mechanism to be unconstitutional related to delegation to the FCC and sub-delegation to the USF Administrator. The ruling of the full Fifth Circuit that the program was unconstitutional differs from the rulings of the Sixth and Eleventh Circuits, which ruled in favor of the USF. The Fifth Circuit ruling threatens to undermine USF which serves millions of Americans, Tribal lands, schools, libraries, healthcare providers and high-cost providers, such as LICT. Management is monitoring the impacts of this ruling on the business of the company and USF funding.

Three Months Ended September 30, 2024 compared to September 30, 2023

The following is a breakdown of Operating Revenues and Operating Expenses (in thousands):

	Three Months Ended September 30,	
	2024	**2023**
Non-regulated revenues:		
Broadband and related services	$16,576	$15,385
Video	1,280	1,128
Other	1,030	1,019
Total non-regulated revenues	18,886	17,532
Regulated revenues:		
Local access	1,012	1,105
Interstate access	11,661	8,185
Intrastate access	1,803	1,792
Other regulated	325	200
Total regulated revenues	14,801	11,282
Total Operating Revenues	33,687	28,814
Operating Expenses:		
Cost of revenue, excluding depreciation	17,318	15,227
General and administrative costs at operations	2,701	2,765
Corporate office expenses	1,040	1,395
Depreciation and amortization	5,562	4,591
Total Operating Expenses	26,621	23,978
Operating Income	$7,066	$4,836

In the third quarter of 2024, non-regulated revenues increased by $1.4 million, or 8.0%, to $18.9 million, from $17.5 million in 2023. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah $1.2 million (which includes $0.75 million in revenues from the Manti non-regulated entities which were acquired on December 1, 2023), Kansas $0.1 million and California $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 as well as the sale of communications equipment. Non-regulated revenues currently represent 56.1% of our revenue streams and are expected to continue to grow. Regulated revenues increased by $3.5 million to $14.8 million in the third quarter of 2024, from $11.3 million in 2023. The acceptance of E-ACAM accounted for a $3.5 million increase in regulated revenues for the quarter. As a result, combining the non-regulated and regulated revenues in the third quarter, total revenues in the third quarter of 2024 increased by $4.9 million or 16.9%, to $33.7 million compared to $28.8 million in 2023.

Total operating expenses were $26.6 million in 2024, an increase of $2.6 million as compared to the third quarter of 2023. The costs of revenue increased by $2.1 million, due to the cost of adding incremental non-regulated customers, increases in staffing as well as and continued inflationary pressure on labor and supplies, while general and administrative costs incurred at the operations decreased by $0.1 million. Corporate expenses decreased by $0.4 million compared to 2023. Depreciation and amortization increased by $1.0 million from $4.6 million in 2023. As a result of the above, operating profit in the third quarter increased by $2.2 million from $4.8 million in 2023 to $7.0 million in 2024.

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 for the three months ended:

	Three Months Ended September 30,	
	2024	**2023**
EBITDA from:		
Operating units	$13,668	$10,822
Corporate expense	(1,040)	(1,395)
EBITDA	$12,628	$9,427
Reconciliation to net income:		
EBITDA	$12,628	$9,427
Depreciation and amortization	(5,562)	(4,591)
Investment income	265	143
Interest expense	(1,177)	(629)
Unrealized loss on investment	(151)	-
Equity in earnings of affiliated companies	-	49
Other	(863)	(134)
Income tax provision	(1,357)	(935)
Discontinued operations, net of tax	-	(123)
Net income	$3,783	$3,207

Other Income (Expense)

Other income (expenses) increased by $1.4 million in the third quarter of 2024 compared to 2023. The main drivers were as follows:

Interest expense increased by $0.6 million due to higher interest rates and higher debt balances in the third quarter of 2024 versus 2023.

Investment income increased by $0.1 million, primarily driven by interest from a money market account.

In the third quarter of 2024, our unrealized loss investment in MachTen, Inc., increased by $0.2 million primarily due a lower fair value of the share price.

Other expenses increased by $0.7 million in the third quarter of 2024 compared to 2023 primarily attributable to a $0.2 million loss from the sale of the remaining ownership stake in Brick Skirt Holding Company (formerly DFT Communications) to CIBL, Inc., and $0.5 million in accrued interest that was forgiven on the MachTen, Inc. note (see Note E).

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for the third quarter of 2024 and 2023 represent effective tax rates of 26.4% and 21.9%, respectively.

Net Income

Net income from continuing operations for the third quarter of 2024 was $3.8 million, or $228 per basic and diluted share versus $3.3 million, or $195 per basic and diluted share in the third quarter of 2023. The increase of $0.5 million is due to the impact of LICT's participation in the E-ACAM program which was effective January 1, 2024. Annual revenues from the existing E-ACAM program are expected to be $37.2 million in 2024, as compared to ACAM and ACAM II revenues of $23.2 million in 2023.

Nine Months Ended September 30, 2024 compared to September 30, 2023

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

	Nine Months Ended September 30,	
	2024	**2023**
Non-regulated revenues:		
Broadband and related services	$49,567	$45,883
Video	3,567	3,426
Other	2,989	3,022
Total non-regulated revenues	56,123	52,331
Regulated revenues:		
Local access	3,089	3,387
Interstate access	35,336	25,004
Intrastate access	5,398	5,383
Other regulated	924	803
Total regulated revenues	44,747	34,577
Total revenues	100,870	86,908
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	50,153	44,759
General and administrative costs at operations	8,177	8,148
Corporate office expenses	3,478	3,626
Depreciation and amortization	17,369	14,656
Total operating costs and expenses	79,177	71,189
Operating profit	$21,693	$15,719

In the first nine months of 2024, non-regulated revenues increased by $3.8 million, or 7.2%, to $56.1 million, from $52.3 million in 2023. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah $3.5 million, and Kansas $0.3 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 55.6% of our revenue streams and are expected to continue to grow. Regulated revenues increased by $10.1 million to $44.7 million in the first nine months of 2024, from $34.6 million in 2023. The acceptance of E-ACAM accounted for a $10.5 million increase in regulated revenues for the first nine months of 2024. As a result, total revenues for the first nine months of 2024 increased by $13.9 million, or 29.4%, to $100.8 million compared from $86.9 million in the first nine months of 2023.

Total operating costs and expenses were $79.2 million in the first nine months of 2024, an increase of $7.9 million as compared to 2023. The costs of revenue increased by $5.4 million non-regulated customers, increase in staffing as well as and continued inflationary pressure on labor and supplies, while general and administrative costs incurred at the operations was flat at $8.1 million. Corporate office expenses decreased by $0.2 million compared to 2023. Depreciation and amortization increased by $2.7 million from 2023 to 2024. As a result of the above, operating profit in the first nine months of 2024 increased by $6.0 million from $15.7 million in 2023 to $21.7 million in 2024.

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.

	Nine Months Ended September 30,	
	2024	**2023**
EBITDA from:		
Operating units	$42,540	$34,001
Corporate expense	(3,478)	(3,626)
EBITDA	$39,062	$30,375
Reconciliation to net income:		
EBITDA	$39,062	$30,375
Depreciation and amortization	(17,369)	(14,656)
Investment income	1,473	1,124
Interest expense	(3,243)	(1,894)
Unrealized loss on investment	(788)	-
Equity in earnings of affiliated companies	225	74
Other	(828)	(245)
Income tax provision	(4,898)	(3,186)
Discontinued operations, net of tax	-	1,781
Net income	$13,634	$13,373

Other Income (Expense)

Other income (expense) for the first nine months of 2024 increased by $2.2 million to $3.1 from $0.9 million in 2023. The main drivers of this change were as follows:

Interest expense increased by $1.3 million due to higher interest rates and higher debt balances in the first nine months of 2024 versus 2023.

In the first nine months of 2024, we incurred an unrealized loss of $0.8 million on our investment in MachTen, Inc., primarily due to a decrease in the fair value of the share price.

Investment income increased by $0.3 million primarily due to interest income accrued on the one-year $15 million note receivable from MachTen, Inc. (see Note E).

Equity in earnings of affiliates increased by $0.2 million which primarily represents our investment in Brick Skirt Holding Company (formerly DFT Communications).

Other expenses increased by $0.6 million in the third quarter of 2024 compared to 2023 primarily attributable to $0.5 million in accrued interest that was forgiven on the MachTen, Inc. note (see Note E).

Income Tax Provision

The income tax provision includes federal, state and local taxes. The tax provision for the first nine months of 2024 and 2023 represent effective tax rates of 26.4% and 21.6%, respectively.

Net Income

Net income from continuing operations for the first nine months of 2024 was $13.6 million, or $813 per basic and diluted share versus $11.6 million, or $674 per basic and diluted share in the first nine months of 2023. The increase of $2.0 million is due to the impact of LICT's participation in the E-ACAM program which was effective January 1, 2024. Annual revenues from E-ACAM will be $37.2 million in 2024, as compared to ACAM and ACAM II revenues of $23.2 million in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As of September 20, 2024, the Company has a $50.0 million five-year secured Revolving Credit Facility with CoBank, due on June 30, 2025. As of September 30, 2024, there was $33.5 million outstanding under the $50.0 million facility. The average balance outstanding under the facility was $41.7 million at an average interest rate of 7.19%. Refer to the Subsequent Events section below for details of a new $100 million secured revolving credit facility with CoBank that the Company secured in October for an extended five-year term. This new facility will provide the company with an additional $50 million in available liquidity with terms similar to our current revolving credit facility. For the period ended September 30, 2024, the funds drawn on the existing $50 million CoBank facility are presented on the balance sheet as Current Maturities of Long-Term debt, as required under the terms of US Generally Accepted Accounting Principles (US GAAP), as the debt is due within one year of the financial statement date. As the new five-year facility was closed in the fourth quarter, for the year end reporting period the related borrowings will be classified as Long-term Debt on the balance sheet.

On August 16, 2024, the Company secured an $11 million credit facility with First Central State Bank for the purposes of financing its Iowa NOFA 6 build project. The facility has an initial variable rate of interest of 7.8%, based on the prime rate as published in the Wall Street Journal less .70%. All principal and accrued unpaid interest on the facility is due February 16, 2026. The company intends to use the funds disbursed upon the completion and certification of its Iowa NOFA 6 project to pay down the amounts owed on this facility once those funds become available. As of September 30, 2024, there is $8.0 million outstanding on the facility at a rate of 7.8%. See table below.

On August 31, 2024, the Company received repayment in full for the $15 million principal balance of a one-year note receivable issued to MachTen Inc., ("MAC"). (Concurrent with the spin-off of MAC the Company issued MAC a loan of $15 million, at an interest rate of SOFR + 1.5%, due in one year). The $15 million was used to pay down a portion of the outstanding CoBank facility. The Company has agreed to forgive 50% of the interest due on the note ($514K) and convert the remaining 50% due ($514K) into shares of preferred equity in MachTen. The preferred shares have an investment term of three years (September 16, 2024 – September 15, 2027), have a $514K par value, are non-voting and have a 5% cumulative annual dividend payable when the shares are redeemed.

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, 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	**Less than 1 year**	**2 – 3 years**	**4 – 5 years**	**After 5 years**
Long-term debt, notes to sellers	$18,148	$--	$11,448	$6,700	$--
Debt on Building acquisition, principal only	1,754	87	1,170	189	308
CoBank Revolving credit facility, principal only	33,500	33,500	--	--	--
FCSB Revolving credit facility, principal only	8,002	--	8,002	--	--
Interest on debt and notes	6,076	3,617	1,922	512	25
Operating leases	6,418	257	1,956	1,675	2,530
Total contractual cash obligations and commitments	$73,898	$37,461	$24,498	$9,076	$2,863

At September 30, 2024, total debt was $61.4 million, an increase of $7.9 million from December 31, 2023. The average interest rate for the debt outstanding was 6.88% and 6.54% as of September 30, 2024, and December 31, 2023, respectively. The revolving credit facility contains certain covenants restricting share repurchases, and other items.

As of September 30, 2024, the Company had current assets of $43.5 million and current liabilities of $49.9 million resulting in working capital of $(6.4) million compared to $35.6 million at December 31, 2023.

At September 30, 2024, the Company carries a minority investment in Aureon Network Services, Inc., 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, 2024 cash was $14.4 million, as compared to $11.5 million at December 31, 2023. In the first nine months of 2024 net cash provided by operations of $29.9 million was primarily used to invest in plant and equipment ($43.5 million), and purchase treasury shares ($6.6 million).

In the first nine months of 2024, capital expenditures were $43.5 million as compared to $29.5 million in 2023.

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%. In 2023, allowable bonus depreciation deduction decreased to 80% and in 2024 the allowable bonus depreciation deduction further decreased 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 11,115 shares of the Company's common stock, as of September 30, 2024. During the first nine months of 2024, 431 shares of company stock were purchased for $6.6 million, at an average cost of $15,223 per share.

The Company has not paid any cash dividends since its spin-off from Lynch Corporation in 1999. The Company has spun-off four entities: MachTen, Inc., Morgan Group Holding Co., CIBL, Inc., and ICTC Group, Inc.

Subsequent Events

In October 2024, the company closed a new $100 million secured revolving credit facility with CoBank for an extended five-year term. This new facility will provide the company with an additional $50 million in available liquidity with terms similar to our previous $50 million revolving credit facility.

On November 20, 2024, at a meeting of the company's board of directors, the board increased the authorization to repurchase shares by an additional 600 shares of company stock. We will continue to repurchase shares on an opportunistic basis.