# LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended June 30, 2026

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# LICT Corporation and Subsidiaries

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### Unaudited Condensed Consolidated Financial Statements

## MANAGEMENT'S DISCUSSION OF OPERATIONS

This discussion should be read in conjunction with the interim condensed consolidated financial statements of LICT Corporation and the notes thereto as well as with the consolidated financial statements and notes thereto included in the Company’s annual report for the year ended December 31, 2025.

RESULTS OF OPERATIONS

**Overview**

LICT continues to execute its long-term strategy of transforming from a traditional rural telecommunications provider into a diversified broadband and communications company. While industry-wide declines in legacy voice services continue, demand for high-speed broadband remains strong. The Company continues to invest in fiber, fixed wireless, and other next-generation technologies to meet the evolving connectivity needs of residential, commercial, and governmental customers across its markets.

LICT's subsidiaries provide a broad range of communications, broadband, and managed technology services throughout California, Iowa, Kansas, New Mexico, Oregon, Utah, and Wisconsin, including:

- **Broadband services** delivered over fiber, cable modem, Digital Subscriber Line ("DSL"), and fixed wireless networks
- **Voice** (Local and long-distance)
- **Video offerings**, including cable television, IPTV, and Over-the-Top platforms
- **Wholesale transport and network access services**
- **Managed IT and cybersecurity services (MSP),** including network management, endpoint protection, cloud solutions, and technical support
- **Hosted and managed communications solutions** for business and governmental customers
- **Enterprise solutions**, including private line, hosted voice, and virtual switchboard services
- **Public safety communications,** including 911 emergency services
- Construction services

Broadband expansion remains the Company's primary strategic priority. During the first six months of 2026, LICT continued investing in fiber infrastructure through its E-ACAM and USDA ReConnect programs while expanding broadband availability across both regulated and non-regulated service territories. These investments are intended to improve network reliability, increase service speeds, and position the Company for long-term subscriber growth.

Management remains focused on disciplined capital allocation by combining fiber deployment with fixed wireless and other cost-effective technologies where appropriate. This approach allows the Company to efficiently expand broadband coverage while maintaining the financial flexibility necessary to pursue additional strategic growth opportunities.

**Government Programs & Funding Update**

Federal and state initiatives that promote connectivity in rural America remain critical to bridging the digital divide. Initially focused on voice service, these programs now prioritize broadband access. As an RLEC operator, LICT has long played a central role in delivering communications where it would not otherwise be feasible without Universal Service Fund (“USF”) support. Our management team devotes significant attention to effectively navigating and leveraging these programs, while ensuring compliance with regulatory requirements at both the Federal Communications Commission (“FCC”) and state utility commission levels.

Our participation in the Enhanced Alternative Connect America Cost Model (“E-ACAM”) program, effective January 1, 2024, exemplifies this commitment. E-ACAM directly supports LICT’s long-term capital plans, operating expenses and a commitment to deliver at least 100/20 Mbps service in our RLEC territory. E-ACAM provided LICT $37.2 million in 2025. In December 2025, the FCC completed a one-time true-up based on a reduction from 19,609 to 14,963 of required broadband locations (50% of E- ACAM locations to be built out by December 31, 2026, 75% by December 31, 2027 and 100% by December 31, 2028). The true-up increases LICT's E-ACAM revenues to $40.4 million in 2026, then declines to $37.9 million in 2027 and finally stabilizes at $35.4 million annually for 2028 through 2038. Total trued-up E-ACAM revenue for the required build-out will be $541.7 million for the 15-year period from 2024 through 2038.

During 2026, LICT expects to receive approximately $8.9 million of state Universal Service Fund ("USF") support from New Mexico, California, Kansas and Utah, which significantly assists in deploying high-speed broadband to some of the most rural portions of our ILEC service areas. The increase from the prior year primarily reflects the successful completion of a Kansas state USF rate case for Haviland Telephone Company. Because the revised support became effective during 2026, the Company expects to receive approximately $0.6 million of additional support this year. On a full-year basis, the annual increase is expected to be approximately $0.7 million beginning in 2027, after which support is expected to decline gradually under the applicable program formula. Management expects state broadband support programs to continue to play an important role in expanding broadband availability throughout rural service areas, although future funding levels and program structures remain subject to legislative and regulatory action.

As previously announced, LICT was awarded and accepted $157.5 million for seven United States Department of Agriculture ("USDA") ReConnect III and ReConnect IV grants in Kansas, California and New Mexico with a total project cost of $171.2 million, of which LICT's share costs approximately $13.7 million. These Fiber-to-the-Home ("FTTH") ReConnect grants will facilitate 1 Gig of broadband speed. Environmental clearance has been authorized on all seven grant projects. These FTTH projects are in various stages of construction with customers being actively connected in our Kansas and New Mexico operations.

Additionally, in the first quarter of 2026, the Company was awarded Broadband Equity, Access, and Deployment ("BEAD") program grants in Kansas and Utah totaling approximately $23.2 million, which require matching contributions of approximately $11.6 million, for total expected project costs of approximately $34.8 million. These projects are expected to expand broadband service in both existing and adjacent service areas and are in the early stages of development.

**Three Months Ended June 30, 2026 compared to June 30, 2025**

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

*See accompanying notes to condensed consolidated financial statements*

| | | Three Months Ended June 30, | |
|---|---|---|---|
| | | 2026 | 2025 |
| Non-regulated revenues: | | | |
| Broadband and related services | $ | 17,491 | 16,945 |
| Construction revenue | | 5,170 | — |
| Video | | 1,142 | 1,184 |
| Other | | 1,183 | 1,089 |
| Total non-regulated revenues | | 24,986 | 19,218 |
| Regulated revenues: | | | |
| Local access | | 866 | 990 |
| Interstate access | | 12,148 | 11,694 |
| Intrastate access | | 2,246 | 2,154 |
| Other regulated | | 311 | 322 |
| Total regulated revenues | | 15,571 | 15,160 |
| Total revenues | | 40,557 | 34,378 |
| | | | |
| Operating Costs and Expenses: | | | |
| Cost of revenue, excluding depreciation | | 18,926 | 17,867 |
| General and administrative costs at operations | | 3,404 | 3,038 |
| Corporate office expenses | | 1,343 | 1,439 |
| Depreciation and amortization | | 7,567 | 6,418 |
| Total operating costs and expenses | | 31,240 | 28,762 |
| Operating profit | $ | 9,317 | $ 5,616 |

**Revenues**

In the second quarter of 2026, total revenues increased 18.0% to $40.6 million, compared to $34.4 million in the same period of 2025. Revenue growth was primarily driven by non-regulated revenues, including milestone construction revenue recognized under a fiber development and maintenance agreement for a middle-mile fiber provider, as well as continued support under the FCC's Enhanced Alternative Connect America Cost Model ("E-ACAM") program as detailed further below.

**Non-Regulated Revenues:** Non-regulated revenues rose $5.8 million, or 30.0%, to $25.0 million, compared to $19.2 million in the second quarter of 2025. Growth was concentrated in California and Utah, which contributed $5.2 million and $0.4 million, respectively. The increase was primarily driven by continued demand for broadband services and revenue recognized from an ongoing fiber construction project for a middle-mile fiber provider. During the second quarter of 2026, the Company recognized approximately $5.2 million of construction revenue related to the project, compared to no construction revenue recognized during the same period in 2025. Revenue recognized from this project and related fiber construction activities is expected to continue to influence year-over-year revenue comparisons through 2029. Non-regulated revenues represented approximately 61.6% of total revenues during the quarter and continue to be the primary growth driver of the Company's telecommunications operations.

**Regulated Revenues:** Regulated revenues increased $0.4 million, or 2.7%, to $15.6 million, compared with $15.2 million in the prior year period. The increase was primarily attributable to higher E-ACAM support resulting from the FCC's December 2025 true-up adjustment. These increases were partially offset by continued declines in certain legacy regulated services, including lower special-access revenues and fewer special-access circuits as customers migrate to broadband-based solutions.

*See accompanying notes to condensed consolidated financial statements*

**Operating Expenses**

Operating expenses totaled $31.2 million, an increase of $2.5 million compared to the second quarter of 2025. The increase reflects:

- Cost of revenue (+$1.1 million): driven by incremental costs to serve new non-regulated customers, higher staffing, professional services, and maintenance activities supporting our ongoing network expansion
- Operations G&A (+$0.4 million): higher expenses across local operations
- Corporate office expenses (-$0.1 million): reflecting a modest decrease in corporate overhead compared with the prior-year quarter.
- Depreciation and amortization (+$1.1 million): increased from $6.4 million in the second quarter of 2025 due to recent capital investments

**Operating Profit**

As a result of the above, operating profit increased by $3.7 million, to $9.3 million in the second quarter of 2026, compared to $5.6 million in 2025.

**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 provides a more complete understanding of factors and trends affecting our business than the GAAP results alone. We also regularly communicate our EBITDA to 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:

*See accompanying notes to condensed consolidated financial statements*

| | Three Months Ended June 30, | |
|---|---|---|
| | 2026 | 2025 |
| EBITDA from: | | |
| Operating units | $ 18,227 | $ 13,473 |
| Corporate expense | (1,343) | (1,439) |
| EBITDA | $ 16,884 | $ 12,034 |
| | | |
| Reconciliation to net income: | | |
| EBITDA | $ 16,884 | $ 12,034 |
| Depreciation and amortization | (7,567) | (6,418) |
| Investment income | 68 | 58 |
| Interest expense | (1,535) | (1,248) |
| Unrealized gain (loss) on investment | 545 | — |
| Equity in earnings (losses) of affiliated companies | 47 | — |
| Other | 117 | (108) |
| Income tax provision | (2,396) | (1,168) |
| Net income | $ 6,163 | $ 3,150 |

**Other Income (Expense)**

Other expense was $0.8 million in the second quarter of 2026, compared with $1.3 million in the second quarter of 2025, representing an improvement of approximately $0.5 million. The key drivers were:

- Unrealized gain for the second quarter of 2026 was $0.5 million related to our 19% investment in MachTen, Inc., compared to no unrealized gain in the second quarter of 2025.
- Interest expense increased $0.3 million, primarily reflecting higher average borrowings.
- Other income increased primarily due to approximately $0.1 million of unrealized gains on Nuvera securities and miscellaneous income.

**Income Tax Provision**

The income tax provision includes federal, as well as state and local taxes. The effective income tax rates for the three months ended June 30, 2026 and 2025 were 28.0% and 27.1%, respectively.

**Net Income**

Net income for the second quarter of 2026 was $6.2 million, or $403 per basic and diluted share compared to $3.2 million, or $198 per basic and diluted share in the second quarter of 2025.

*See accompanying notes to condensed consolidated financial statements*

<u>**Six Months Ended June 30, 2026 compared to June 30, 2025**</u>

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

| | Six Months Ended June 30, | |
|---|---|---|
| | **2026** | **2025** |
| Non-regulated revenues: | | |
| Broadband and related services | $ 34,897 | $ 33,811 |
| Construction revenue | 5,665 | — |
| Video | 2,295 | 2,493 |
| Other | 2,307 | 2,252 |
| Total non-regulated revenues | 45,164 | 38,556 |
| Regulated revenues: | | |
| Local access | 1,748 | 2,003 |
| Interstate access | 24,371 | 23,380 |
| Intrastate access | 4,372 | 4,334 |
| Other regulated | 619 | 714 |
| Total regulated revenues | 31,110 | 30,431 |
| Total revenues | 76,274 | 68,987 |
| | | |
| Operating Costs and Expenses: | | |
| Cost of revenue, excluding depreciation | 37,057 | 35,461 |
| General and administrative costs at operations | 7,031 | 6,233 |
| Corporate office expenses | 3,272 | 2,852 |
| Depreciation and amortization | 15,517 | 13,245 |
| Total operating costs and expenses | 62,877 | 57,791 |
| Operating profit | $ 13,397 | $ 11,196 |

**Revenues**

In the first six months of 2026, total revenues increased 10.6% to $76.3 million, compared to $69.0 million in the same period of 2025. The increase was driven primarily by continued growth in the Company's non-regulated operations, including revenues generated from work on a middle-mile fiber construction project, while regulated revenues remained relatively stable year over year.

**Non-Regulated Revenues:** Non-regulated revenues increased $6.6 million, or 17.1%, to $45.2 million for the first six months of 2026, compared with $38.6 million for the same period in 2025. The increase was driven primarily by revenue the Company recognized on a middle-mile fiber construction project, together with continued growth in broadband operations. During the six months ended June 30, 2026, the Company recognized approximately $5.7 million of revenue related to the project, compared with no revenue recognized during the same period in 2025. Non-regulated revenues represented approximately 59.2% of total revenues during the first six months of 2026 and continue to be the Company's primary growth driver.

*See accompanying notes to condensed consolidated financial statements*

**Regulated Revenues:** Regulated revenues increased $0.7 million, or 2.2%, to $31.1 million for the first six months of 2026, compared with $30.4 million in the prior-year period. The increase primarily reflects higher E-ACAM support, partially offset by ongoing declines in traditional regulated voice and special access services and increased customer migration to broadband-based offerings.

**Operating Expenses**

Operating expenses were $62.9 million for the first six months of 2026, an increase of $5.1 million, or 8.8%, compared with $57.8 million for the same period in 2025. The increase reflects:

- Cost of revenue (+$1.6 million): primarily reflecting expanded staffing, professional services, and higher repair and maintenance activity in the Company's New Mexico and Utah operations.
- General and administrative costs at operations (+$0.8 million): reflecting higher operating expenses associated with the Company's expanding operations.
- Corporate office expenses (+$0.4 million): reflecting increased corporate support costs.
- Depreciation and amortization (+$2.3 million): associated with recent infrastructure investments.

**Operating Profit**

Operating profit increased $2.2 million, or 19.7%, to $13.4 million for the first six months of 2026, compared with $11.2 million in the prior-year period. The increase was primarily driven by higher revenues from the Company's non-regulated operations, including work performed on a middle-mile fiber construction project, partially offset by higher operating costs associated with network expansion activities and increased depreciation from recent infrastructure investments.

**EBITDA**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2026 | 2025 |
| EBITDA from: | | |
| Operating units | $ 32,186 | $ 27,293 |
| Corporate expense | (3,272) | (2,852) |
| EBITDA | $ 28,914 | $ 24,441 |
| | | |
| Reconciliation to net income: | | |
| EBITDA | $ 28,914 | $ 24,441 |
| Depreciation and amortization | (15,517) | (13,245) |
| Investment income | 993 | 842 |
| Interest expense | (2,869) | (2,395) |
| Unrealized gain (loss) on investment | (667) | 424 |
| Equity in earnings (losses) of affiliated companies | 47 | (66) |
| Other | 102 | (97) |
| Income tax provision | (3,012) | (2,638) |
| Net income | $ 7,991 | $ 7,266 |

*See accompanying notes to condensed consolidated financial statements*

**Other Income (Expense)**

Other expense was $2.4 million for the first six months of 2026, compared with $1.3 million for the same period in 2025, representing an increase in net expense of approximately $1.1 million. The key drivers were:

- Investment income increased $0.2 million to $1.0 million for the first six months of 2026, compared with $0.8 million in the prior-year period, reflecting higher returns on the Company's investment portfolio.
- Interest expense increased $0.5 million to $2.9 million, compared with $2.4 million in the first six months of 2025, primarily reflecting higher average borrowings associated with the Company's capital investment and broadband expansion programs.
- Unrealized loss on investments was $0.7 million in the first six months of 2026, compared with an unrealized gain of $0.4 million in the prior-year period, representing an unfavorable year-over-year change of approximately $1.1 million, primarily reflecting changes in the fair value of the Company's investment portfolio.
- Equity in earnings of affiliated companies improved to $47 thousand of income in the first six months of 2026, compared with an equity loss of $66 thousand in the same period of 2025.
- Other income increased to $0.1 million in the first six months of 2026, compared with other expense of $0.1 million in the prior-year period.

**Income Tax Provision**

The income tax provision includes federal, state and local taxes. For the first six months of 2026 and 2025, the Company's effective tax rates were 27.4% and 26.6%, respectively.

**Net Income**

Net income for the first six months of 2026 was $8.0 million, or $522 per basic and diluted share, compared to $7.3 million, or $453 per basic and diluted share, for the same period in 2025.

## LIQUIDITY AND CAPITAL RESOURCES

**Liquidity**

In October 2024 the Company secured a $100 million revolving credit facility with CoBank. The term of the credit facility is five years and expires on October 23, 2029. 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 June 30, 2026 is SOFR plus 2.0%. The credit facility is secured by a pledge of the stock of the Company's subsidiaries. As of June 30, 2026, there was $68.6 million outstanding under the $100 million facility. The average balance outstanding under the facility was $74.1 million at an average interest rate of 5.78%. The revolving credit facility contains certain covenants including limitations on share repurchases, and other items. As of June 30, 2026, the Company was in compliance with all applicable financial covenants under the credit agreement.

The Company is currently in discussions with its lender to amend the revolving credit facility to increase total commitments from $100 million to $150 million. Although there can be no assurance that the amendment will be completed, management believes the additional borrowing capacity would support ongoing capital expenditure programs, including broadband build-out initiatives and grant-related projects.

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 June 30, 2026, 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 | $ 25,752 | $ 3,801 | $ 13,651 | $ 8,300 | $ — |
| Debt on Building acquisition, principal only | 1,614 | 83 | 1,185 | 206 | 140 |
| CoBank Revolving credit facility, principal only | 68,601 | — | — | 68,601 | — |
| Interest on debt and notes | 27,342 | 6,848 | 17,968 | 2,526 | |
| Operating leases | 7,030 | 568 | 2,065 | 859 | 3,538 |
| Total contractual cash obligations and commitments | $ 130,339 | $ 11,300 | $ 34,869 | $ 80,492 | $ 3,678 |

On June 22, 2026, the Company repaid approximately $0.7 million of seller notes that matured in June 2026 and renewed the remaining approximately $6.9 million balance for an additional three-year term at the existing fixed interest rate of 6%. The seller notes were originally issued in connection with the acquisition of the Company's Utah subsidiary, Central Utah Telephone, and are secured by the stock of that subsidiary.

At June 30, 2026, total debt was $96.0 million, an increase of $4.0 million from December 31, 2025. The average interest rate for the debt outstanding was 5.82% and 6.27% as of June 30, 2026, and December 31, 2025, respectively.

As of June 30, 2026, the Company had current assets of $54.6 million and current liabilities of $31.5 million resulting in working capital of $23.1 million compared to $14.1 million at December 31, 2025.

**Sources and Uses of Cash**

As of June 30, 2026 the Company had cash and cash equivalents of $13.8 million, and restricted cash of $2.7 million as compared to $11.7 million and $0.7 million, respectively, at December 31, 2025. In the first six months of 2026 net cash provided by operations was $18.0 million. The Company invested $32.3 million in capital expenditures and used $0.3 million to repurchase common shares, with capital expenditures partially funded by government grants and financing activities.

Gross capital expenditures totaled $32.3 million in the first six months of 2026, compared to $33.1 million in the same period of 2025. Capital spending in 2026 was partially offset by $14.8 million in government grants received during the period, versus $13.3 million received in the first six months of 2025.

The Company continues to benefit from accelerated depreciation provisions under federal tax law. Under prior law, bonus depreciation was scheduled to phase down from 100% in 2023 to 80% in 2024 and 60% in 2025, which was expected to increase future cash tax obligations. In July 2025, federal tax reform legislation reinstated 100% bonus depreciation for qualified property placed in service after January 19, 2025. This change is expected to reduce near-term cash tax payments and enhance after-tax returns on capital expenditures, particularly broadband infrastructure investments through 2028. These provisions are expected to enhance operating cash flow by deferring federal cash tax payments during the Company's peak broadband investment period. Management is continuing to evaluate the full impact of the new law; however, based on preliminary assessments, the Company currently estimates that these provisions will result in approximately $25 million of cumulative cash tax deferrals through 2028. These amounts reflect a shift in the timing of tax payments rather than a permanent reduction in the Company’s overall tax liability.

*See accompanying notes to condensed consolidated financial statements*

The Company's Board of Directors has authorized the purchase of up to 11,865 shares of the Company's common stock. Through June 30, 2026, 11,534 shares have been purchased, on a cumulative basis, at an average investment of $9,162 per share, including 29 shares purchased during 2026 at an average investment of $11,267 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.

**Operating Statistics / Broadband Deployment**

LICT owns and operates 8,397 miles of fiber optic cable, 8,942 miles of copper cable, 850 miles of coaxial cable, 111 towers and 301 spectrum licenses (1,216 million MHZPoP).

The table below provides a comparative summary of the Company's subscriber and line metrics as of June 30, 2026, versus December 31, 2025.

| | **June 30, 2026** | **December 31, 2025** | **Increase (Decrease)** | **% Increase (Decrease)** |
|---|---|---|---|---|
| Broadband lines | **46,278** | **43,976** | **2,302** | **5.2 %** |
| Fixed Wireless subscribers | **6,840** | **7,002** | **(162)** | **(2.3)%** |
| Voice Lines - ILEC | 15,891 | 16,203 | (312) | (1.9)% |
| Voice Lines - Out of franchise | 4,727 | 5,142 | (415) | (8.1)% |
| Total Voice Lines | **20,618** | **21,345** | **(727)** | **(3.4)%** |
| Video subscribers | 3,124 | 3,272 | (148) | (4.5)% |
| **Total revenue generating units** | **76,860** | **75,595** | **1,265** | **1.7 %** |

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

| | | June 30, 2026 | | December 31, 2025 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | $ | 13,783 | $ | 11,684 |
| Restricted cash | | 2,698 | | 668 |
| Accounts receivable, less allowances of $120 and $129, respectively | | 13,655 | | 10,371 |
| Grants receivable | | 3,255 | | 3,340 |
| Materials and supplies | | 16,596 | | 11,822 |
| Prepaid expenses and other current assets | | 4,610 | | 4,517 |
| **Total Current Assets** | | 54,597 | | 42,402 |
| Property, Plant and Equipment, Net | | 228,605 | | 220,013 |
| Goodwill | | 50,735 | | 50,735 |
| Other Intangibles | | 33,355 | | 33,611 |
| Investments in Affiliated Companies | | 5,582 | | 6,202 |
| Other Assets | | 10,439 | | 10,783 |
| **Total Assets** | **$** | **383,313** | **$** | **363,746** |
| **Liabilities and Shareholders' Equity:** | | | | |
| Current Liabilities | | | | |
| Accounts payable | $ | 7,515 | $ | 8,951 |
| Accrued interest payable | | 508 | | 541 |
| Accrued liabilities | | 19,570 | | 11,088 |
| Current maturities of long-term debt | | 3,884 | | 7,731 |
| **Total Current Liabilities** | | 31,477 | | 28,311 |
| Long-Term Debt | | 92,083 | | 84,223 |
| Deferred Income Taxes | | 35,890 | | 36,566 |
| Other Liabilities | | 10,459 | | 8,895 |
| **Total liabilities** | | 169,909 | | 157,995 |
| | | | | |
| **Shareholders' Equity:** | | | | |
| Common stock, $0.01 par value; 10,000,000 shares authorized; 26,831 issued; 15,297 and 15,326 outstanding, respectively | | — | | — |
| Additional paid-in capital | | 10,302 | | 10,302 |
| Retained earnings | | 318,721 | | 310,730 |
| Treasury stock, 11,534 and 11,505 shares, respectively, at cost | | (115,619) | | (115,281) |
| **Total Shareholders' Equity** | | 213,404 | | 205,751 |
| **Total Liabilities and Shareholders' Equity** | **$** | **383,313** | **$** | **363,746** |

*See accompanying notes to condensed consolidated financial statements*

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | **2025** | **2026** | **2025** |
| **Operating Revenues** | $ 40,557 | $ 34,378 | $ 76,274 | $ 68,987 |
| **Operating Expenses** | | | | |
| Cost of revenue, excluding depreciation and amortization | 18,926 | 17,867 | 37,057 | 35,461 |
| General and administrative costs at operations | 3,404 | 3,038 | 7,031 | 6,233 |
| Corporate office expenses | 1,343 | 1,439 | 3,272 | 2,852 |
| Depreciation and amortization | 7,567 | 6,418 | 15,517 | 13,245 |
| Total Operating Expenses | 31,240 | 28,762 | 62,877 | 57,791 |
| **Operating Profit** | 9,317 | 5,616 | 13,397 | 11,196 |
| **Other Income (Expense)** | | | | |
| Investment income | 68 | 58 | 993 | 842 |
| Interest expense | (1,535) | (1,248) | (2,869) | (2,395) |
| Unrealized gain (loss) on investment | 545 | — | (667) | 424 |
| Equity in earnings (losses) of affiliated companies | 47 | — | 47 | (66) |
| Other | 117 | (108) | 102 | (97) |
| **Total Other Income (Expense)** | (758) | (1,298) | (2,394) | (1,292) |
| **Income from Operations Before Income Taxes** | 8,559 | 4,318 | 11,003 | 9,904 |
| Provision for income taxes | (2,396) | (1,168) | (3,012) | (2,638) |
| **Net Income** | $ 6,163 | $ 3,150 | $ 7,991 | $ 7,266 |
| | | | | |
| **Basic and Diluted Weighted-Average Shares Outstanding** | 15,309 | 15,940 | 15,315 | 16,027 |
| | | | | |
| **Basic and Diluted Earnings Per Share** | $ 403 | $ 198 | $ 522 | $ 453 |

*See accompanying notes to condensed consolidated financial statements*

**LICT CORPORATION AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
(Unaudited)
*(In thousands, except share data)*

| | Shares of Common Stock Outstanding | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Total |
|---|---|---|---|---|---|
| **Balance, December 31, 2025** | 15,326 | $ 10,302 | $310,730 | $(115,281) | $205,751 |
| Net income for the period | — | — | 7,991 | — | 7,991 |
| Purchase of treasury stock | (29) | — | — | (338) | (338) |
| **Balance, June 30, 2026** | 15,297 | $ 10,302 | $318,721 | $(115,619) | $213,404 |

*See accompanying notes to condensed consolidated financial statements*

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

| | Six Months Ended June 30, | |
|---|---|---|
| | **2026** | **2025** |
| **Cash Flows from Operating Activities** | | |
| **Net Income** | $ 7,991 | $ 7,266 |
| | | |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,517 | 13,245 |
| Debt costs amortization | 35 | 35 |
| Equity in (earnings) losses of affiliated companies | (47) | 66 |
| Unrealized loss (gain) on investment | 667 | (424) |
| Unrealized gain in other investments | (103) | (28) |
| Realized loss on investment | — | 43 |
| Deferred income tax provision | (676) | 624 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable, net of allowances | (3,284) | (478) |
| Income taxes payable/receivable | 3,094 | 1,384 |
| Accounts payable and accrued liabilities | (2,285) | 462 |
| Other assets and liabilities | (2,947) | (95) |
| **Net Cash Provided by Operating Activities** | 17,962 | 22,100 |
| | | |
| **Cash Flows from Investing Activities** | | |
| Capital expenditures | (32,275) | (33,108) |
| Government grants received | 14,812 | 13,305 |
| Proceeds from the sale of investment | — | 768 |
| MTC Acquisition investment | — | (8,300) |
| Other investing activities | (46) | 77 |
| **Net Cash Used in Investing Activities** | (17,509) | (27,258) |
| | | |
| **Cash Flows from Financing Activities** | | |
| Proceeds from borrowings under the line of credit | 20,000 | 15,000 |
| Repayment of borrowings under the line of credit | (15,249) | — |
| Payment of construction loan | — | (8,003) |
| Purchase of treasury stock | (338) | (6,062) |
| MTC seller notes issued | — | 8,300 |
| Payments to reduce long-term debt | (737) | (65) |
| **Net Cash Provided By Financing Activities** | 3,676 | 9,170 |
| Net Increase in Cash, Cash Equivalents and Restricted Cash | 4,129 | 4,012 |
| Cash, Cash Equivalents and Restricted Cash at beginning of the period | 12,352 | 11,381 |
| **Cash, Cash Equivalents and Restricted Cash at end of the period** | $ 16,481 | $ 15,393 |

*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. The Company's subsidiaries operate in rural communities across seven states: California, Iowa, Kansas, New Mexico, Oregon, Utah, and Wisconsin.

LICT's operating telephone companies include Central Utah Telephone, Skyline Telecom, Manti Telephone, and Bear Lake Communications in Utah; 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; and California-Oregon Telephone Company in California.

In addition the company operates a fixed wireless provider with 5G services, Sound Broadband LLC.

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

**MachTen Inc.** ("MACT") is a publicly traded holding company formed in 2023 through a spin-off from LICT Corporation as the parent company of Michigan Broadband Corporation. Through its operating subsidiaries—Upper Peninsula Telephone Company, Michigan Central Broadband Company, LLC, and Alpha Enterprises, Limited, Inc.—MACT provides broadband internet, fiber-to-the-premises, local voice, video, and related communications services to residential and business customers throughout Michigan. The Company holds approximately a 19% ownership interest in MACT. For the year ended December 31, 2025, MACT generated total operating revenues of approximately $16.8 million and invested approximately $11.4 million in capital expenditures, primarily to support ongoing fiber network expansion and broadband deployment projects funded in part through federal RUS ReConnect III grants.

**Aureon Network Services, Inc.** ("Aureon"), formerly Iowa Network Services, Inc. The Company holds a 2.56% economic interest in Aureon through preferred and common stock. Aureon provides telecommunications and broadband services to participating exchanges and other customers. As of June 30, 2026, the Company carries its minority investment at $3.0 million, while management estimates its value to be approximately $9.0 million.

**CVIN LLC** ("CVIN"). A wholly-owned subsidiary owns an interest of approximately 2.45% in CVIN (doing business as Vast Networks), which owns and operates a fiber optic network in the Central Valley and northern areas of California. The company was formed by independent telephone companies to offer a shared, state-of-the-art fiber network and telecommunications services to businesses, hospitals, and school districts in Central and Northern California.

**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.

**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. Investments in affiliated entities in which we own less than 20% and do not exert significant influence are measured at cost. Marketable securities are measured at fair value and all other investments are measured at cost ("see organization").

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 condensed consolidated financial statements and footnotes should be read in conjunction with the condensed consolidated financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2025. 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 six months ended June 30, 2026, are not necessarily indicative of the results that may be expected for the year ending December 31, 2026. The preparation of condensed 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 November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. ASU 2024-03 requires public business entities to disclose, in a tabular format, additional information regarding certain expense categories included within relevant expense captions presented on the income statement. In January 2025, the FASB issued ASU 2025-01 to clarify the effective date of ASU 2024-03. The amendments are effective for the Company for annual reporting periods beginning after December 15, 2026, and for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact that adoption will have on its consolidated financial statement disclosures.

In December 2025, the FASB issued ASU 2025-10, Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities. ASU 2025-10 establishes authoritative guidance for the recognition, measurement, presentation and disclosure of government grants received by business entities. For public business entities, the amendments are effective for annual reporting periods beginning after December 15, 2028, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact that adoption will have on its consolidated financial statements and related disclosures.

In April 2026, the FASB issued ASU 2026-01, Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock. ASU 2026-01 provides guidance for the initial measurement of paid-in-kind dividends on equity-classified preferred stock. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company does not currently expect the adoption of ASU 2026-01 to have a material impact on its consolidated financial statements.

In May 2026, the FASB issued ASU 2026-02, Environmental Credits and Environmental Credit Obligations (Topic 818). ASU 2026-02 establishes recognition, measurement, presentation and disclosure requirements for entities that generate, purchase or receive environmental credits or have regulatory compliance obligations that may be settled using environmental credits. For public business entities, the amendments are effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the applicability and potential impact of ASU 2026-02 on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances the transparency and decision usefulness of income tax disclosures. The amendments require expanded disclosures relating to the income tax rate reconciliation and income taxes paid, including the disaggregation of certain reconciling items and income taxes paid by jurisdiction. The Company adopted ASU 2023-09 effective January 1, 2025. The adoption resulted in enhanced income tax disclosures but did not have a material impact on the Company's financial position, results of operations or cash flows. This treatment is consistent with the disclosure included in the Company's 2025 annual report.

The Company has implemented all new accounting pronouncements that are applicable and effective as of June 30, 2026. The adoption of these pronouncements did not have a material impact on the Company's consolidated financial statements unless otherwise disclosed above. The Company has reviewed other recently issued accounting pronouncements and determined that they are either not applicable to the Company or are not currently expected to have a material impact on its consolidated financial position, results of operations or cash flows.

## B. Indebtedness

In October 2024 the Company secured a $100 million revolving credit facility with CoBank. The term of the credit facility is five years and expires on October 23, 2029. 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 June 30, 2026 is SOFR plus 2.0%. The credit facility is secured by a pledge of the stock of the Company's subsidiaries. In the first six months of 2026 and 2025, respectively, the average balance of the CoBank line of credit outstanding was $74.1 million and $46.6 million; the highest amount outstanding for 2026 and 2025 was $77.9 million and $53.8 million; and the average interest rate was 5.78% and 6.43%, respectively.

The Company is currently in discussions with its lender to amend its revolving credit facility to increase total commitments from $100 million to $150 million. While no assurance can be provided that such amendment will be completed, the Company expects that, if consummated, the expanded facility would support ongoing capital expenditure programs, including broadband build-out initiatives and grant-related projects. As of June 30, 2026, the Company was in compliance with all applicable financial covenants under the agreement.

Long-term debt as of June 30, 2026, and December 31, 2025 consists of (in thousands):

| | June 30, 2026 | December 31, 2025 |
|---|---|---|
| Revolving credit facility from CoBank at SOFR plus 2.0%, expires October 23, 2029 | $ 68,601 | $ 63,850 |
| Secured notes issued to sellers in connection with acquisitions at fixed interest rate of 6.0% | 6,951 | 7,647 |
| Unsecured notes issued in connection with acquisitions at fixed interest rates of 6.0% - 10% | 18,801 | 18,801 |
| Other at a fixed rate of 5.25% | 1,614 | 1,656 |
| Total Debt | 95,967 | 91,954 |
| Current maturities | (3,884) | (7,731) |
| **Long Term Debt** | $ 92,083 | $ 84,223 |

## 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 June 30, 2026 and December 31, 2025, assets of $1.1 million and $3.3 million, which are classified as cash and cash equivalents, were invested in money market funds, managed by affiliates of the Company's Chairman and Chief Executive Officer, which charge an annual management fee of 0.08%. There are no state and local income taxes (“SALT”) on these funds.

## E. Subsequent Events

Subsequent to June 30, 2026, the Company has substantially completed the process to sell certain wireless spectrum licenses located outside of its operating territories for cash proceeds of approximately $1.4 million. The sale remains subject to final FCC approval and is expected to be completed upon receipt of such approval. The Company expects to recognize a pre-tax gain of approximately $0.6 million upon completion of the sale. The proceeds will be used for general corporate purposes, including funding broadband infrastructure investments and reducing outstanding indebtedness.

On July 1, 2026, the Company completed its previously announced acquisition of Gunnison Telephone Company. This strategic move reinforces the Company's commitment to delivering high-quality telecommunication services while expanding its footprint to support the rural communities of Gunnison, Centerfield, Mayfield, Fayette, and Axtell. The Company plans to retain all Gunnison Telephone Company staff in their positions to expand their customer support.