LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended September 30, 2017

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

	September 30, 2017	December 31, 2016	September 30, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	$7,503	$8,470	$8,296
FCC Deposit – Auction 1002	--	11,000	11,000
Receivables, less allowances of $333, $263, and $291, respectively	8,080	7,405	7,000
Material and supplies	4,634	3,791	4,033
Prepaid expenses and other current assets	1,902	2,004	1,897
Total current assets	22,119	32,670	32,226
Property, plant and equipment:			
Land	955	955	942
Buildings and improvements	17,512	17,438	17,305
Machinery and equipment	333,767	320,295	316,315
	352,234	338,688	334,562
Accumulated depreciation	(264,097)	(251,563)	(247,831)
	88,137	87,125	86,731
Goodwill	48,764	48,764	48,764
Other intangibles	2,641	1,967	1,972
Investments in and advances to affiliated entities	5,244	4,834	4,711
Other assets	9,468	9,483	9,295
Total assets	$176,373	$184,843	$183,699

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2017	December 31, 2016	September 30, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$2,372	$2,802	$2,438
Accrued interest payable	91	165	169
Accrued liabilities	7,457	7,269	6,240
Current maturities of long-term debt	9,256	4,723	9,334
Total current liabilities	19,176	14,959	18,180
Long-term debt	19,345	37,361	33,648
Deferred income taxes	19,936	20,092	20,518
Other liabilities	3,656	3,955	4,568
Total liabilities	62,113	76,367	76,994
Commitments and contingencies			
Shareholders' equity			
Common stock, $0.0001 par value-10,000,000 shares authorized; 26,795.50, issued; 20,804.37, 21,282.37 and 21,400.37 outstanding	--	--	--
Additional paid-in capital	17,444	17,162	17,071
Retained earnings	120,284	109,345	107,146
Treasury stock, 5,991.13, 5,478.13 and 5,360.13 shares, at cost	(23,468)	(18,031)	(17,433)
Total shareholders' equity	114,260	108,476	106,784
Total liabilities and shareholders' equity	$176,373	$184,843	$183,699

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Revenues	$26,624	$22,911	$79,264	$66,948
Costs and expenses:				
Cost of revenue, excluding depreciation	11,996	11,275	35,681	33,220
General and administrative costs at operations	2,970	2,743	8,734	8,319
Corporate office expenses	1,868	856	2,927	2,767
Depreciation and amortization	4,080	4,271	13,201	13,153
Total Costs and Expenses	19,984	19,145	60,543	57,459
Operating profit	6,710	3,766	18,721	9,489
Other income (expense):				
Investment income	48	44	374	434
Interest expense	(515)	(621)	(1,646)	(1,945)
Equity in earnings of affiliated companies	676	579	1,750	1,408
Other	(1,127)	(989)	(1,127)	(983)
	(918)	(987)	649	(1,086)
Income before income taxes	5,792	2,779	18,072	8,403
Provision for income taxes	(2,282)	(1,031)	(7,133)	(3,329)
Net income	$3,510	$1,748	$10,939	$5,074
Weighted average shares outstanding:				
Basic average shares outstanding	20,955.54	21,346.44	21,089.63	21,447.89
Diluted average shares outstanding	20,991.50	21.465.64	21,164.49	21,553.93
Actual shares outstanding	20,804.37	21,400.37	20,804.37	21,400.37
Earnings per share:				
Basic	$167.50	$81.89	$518.69	$236.57
Diluted	$167.21	$81.43	$516.86	$235.41

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Shares of Common Stock Out-standing	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2016	21,282.37	$--	$17,162	$109,345	($18,031)	$108,476
Net income for the period	--	--	--	10,939	--	10,939
Purchase of Treasury Stock	(513.00)	--	--	--	(5,437)	(5,437)
Restricted and Other Stock Awards	35.00	--	282	--	--	282
Balance at September 30, 2017	20,804.37	$--	$17,444	$120,284	($23,468)	$114,260

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,	
	2017	**2016**
Operating activities:		
Net Income	$10,939	$5,074
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,316	13,239
Equity in earnings of affiliated companies	(1,750)	(1,408)
Distributions received from affiliated companies	1,375	1,300
Deferred income tax provision(benefit)	(155)	128
Restricted and Other Stock Award Expense	282	240
Changes in operating assets and liabilities:		
Accounts receivables	(675)	(130)
Income tax payable/receivable	(286)	956
Accounts payable and accrued liabilities	319	1,017
Other Operating assets and liabilities	(1,597)	(1,096)
Other	(45)	(54)
Net cash provided by operating activities	21,723	19,266
Investing activities:		
Capital expenditures	(14,212)	(11,119)
Auction 1002 FCC return of deposit in 2017 and deposit in 2016	11,000	(11,000)
Acquisition of spectrum licenses	(686)	--
Other	340	(201)
Net cash used in investing activities	(3,558)	(22,320)
Financing activities:		
Repayments of long term debt	(5,729)	(4,313)
Borrowings (repayments) related to lines of credit, net	(7,800)	2,500
Purchase of treasury stock	(5,437)	(1,977)
Other	(166)	392
Net cash used in financing activities	(19,132)	(3,398)
Net increase (decrease) in cash and cash equivalents	(967)	(6,452)
Cash and cash equivalents at beginning of period	8,470	14,748
Cash and cash equivalents at end of period	$7,503	$8,296

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Basis of Presentation

LICT Corporation ("LICT" or the "Company") consolidates the operating results of its subsidiaries. All material intercompany transactions and balances have been eliminated. Investments in affiliates in which the Company does not have majority voting control, but has the ability to significantly influence management decisions, are accounted for in accordance with the equity method. The Company accounts for the following affiliated companies on the equity basis of accounting: a cellular partnership in California (25% owned) and telecommunications operations in New York, California and Utah (5% to 20% owned).

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all 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, 2016. 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 month periods ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

B. Investments in Affiliated Companies

A subsidiary of LICT owns a 25% partnership interest in a cellular communications provider in Northern California, California RSA #2 ("RSA #2"). As of September 30, 2017, December 31, 2016 and September 30, 2016, the net investment in the partnership was $4,113 thousand, $3,783 thousand, and $4,010 thousand, respectively. The Company's share of income, included in Equity in Earnings of Affiliated Companies was $1,704 thousand and $1,502 thousand for the nine months ended September 30, 2017 and 2016, respectively. Cash distributions from RSA # 2 for the nine months ending September 30, 2017 and 2016 were $1,375 thousand and $1,300 thousand, respectively. Below are summary results of this operation for the respective period, in thousands:

	September 30,	
	2017	**2016**
OPERATING RESULTS		
Three Months Ended		
Revenues	$6,244	$6,561
Gross Margin	4,140	4,322
Net profit	2,554	2,609
Nine Months Ended		
Revenues	$18,421	$17,813
Gross Margin	11,663	11,425
Net Profit	6,798	6,296

BALANCE SHEET		
Current assets	$5,768	$5,657
Property, plant and equipment and Other – net	10,838	10,655
	$16,606	$16,312
Current liabilities	$1,600	$1,565
Long-term liabilities	2,010	2,163
Partners' equity	12,996	12,584
	$16,606	$16,312

In the first nine months of 2017, total equity in earnings of affiliates also includes a $25,000 loss from an investment in Kansas and a $71,000 profit from an investment in New York. In the first nine months of 2016[2017?], total equity in earnings from affiliates also include $3,000 of income from an investment in Utah and $90,000 loss for the investment in New York.

C. Indebtedness

The Company had a $50.0 million line of credit agreement with CoBank, ACB ("CoBank"), which was to expire in December 2019 with an interest rate of LIBOR plus 2.5%. The average balance of notes payable outstanding was $9.4 million in 2017; the highest amount outstanding in 2017 was $16.0 million; and the average interest rate was 3.49% in 2017.

Long-term debt at September 30, 2017, December 31, 2016, and September 30, 2016 consists of (all interest rates are at September 30, 2017) (in thousands):

	September 30, 2017	**December 31, 2016**	**September 30, 2016**
Rural Electrification Administration ("REA") and Rural Telephone Bank ('RTB") notes	$--	$1,479	$1,621
Bank Credit facilities utilized by certain telephone and telephone holding company.	--	1,975	2,237
Unsecured notes issued in connection with acquisitions at fixed interest rates of either $6.0% or 8.0%	20,401	22,676	22,676
Revolving credit facility from CoBank, ACB at Brighton Communications Corporation, secured by the assets of certain operations and holding companies at variable interest rate of 3.86%	8,200	16,000	16,500
Deferred Finance Costs	--	(46)	(52)
	28,601	42,084	42,982
Current maturities	(9,256)	(4,723)	(9,334)
	$19,345	$37,361	$33,648

D. Litigation

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

E. Related Party Transactions

At September 30, 2017, December 31, 2016 and September 30, 2016, assets of $3.4 million, $4.6 million and $4.3 million, which are classified as cash and cash equivalents, are invested in United States Treasury money market funds for which affiliates of the Company's Chairman and Chief Executive Officer serve as investment manager to the respective funds.

MANAGEMENT'S DISCUSSION OF OPERATIONS

This discussion should be read together with the Consolidated Financial Statements of LICT Corporation and the notes thereto.

RESULTS OF OPERATIONS

Overview

LICT provides an array of broadband data, communications, and other services, primarily in rural areas but with continuing expansions in adjacent urban communities. Our history is principally as an operator of rural telephone service (known as Rural Local Exchange Carriers, or "RLECs"), with our principal operations in rural parts of California, Iowa, Kansas, Michigan, New Hampshire, New Mexico, Utah and Wisconsin.

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

- Local and long-distance telephone service;
- Broadband services, principally Digital Subscriber Lines ("DSL") and cable modem services which are increasingly provided through fiber optic technologies;
- Video services, including cable television and Internet Protocol Television ("IPTV");
- 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
- Wireless broadband service, primarily for very remote customers

The federal and state governments have long had a policy of encouraging and promoting telephone and other communication services in rural areas because it provided a benefit to all Americans and to the nation. RLECs, including those that form the core of our Company, primarily 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 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, by the various state public utility commissions. We devote considerable management attention to understanding, utilizing and complying with these different governmental programs, incentives and regulatory structures. There is no certainty that such support programs will continue at the same levels as they have in the past, and some reductions have already occurred although the FCC's new A-CAM support program, discussed below, has significantly increased the amount of federal support we are receiving. 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. People are communicating more, and in more ways, than ever before – and this includes the rural population as well as urban dwellers. 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.

The advent and spreading acceptance of high-speed internet has been a major growth area for our Company. 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.

Effective January 1, 2017, the FCC instituted a revised, voluntary USF mechanism for eligible rate-of-return Incumbent Local Exchange Carriers ("ILECs"), including RLECs, called A-CAM, an acronym for "Alternative – Connect America Model." A-CAM replaces the prior Interstate Common Line Support ("ICLS") and High Cost Loop Support ("HCLS") cost-based USF programs, which were based on specific company actual expenditures for operations and capital, or on average schedule algorithms derived based on industry averages. The A-CAM program was designed by the FCC to expedite the deployment of broadband capabilities throughout the nation's rural areas that are served by rate-of-return carriers. Eleven of LICT's fourteen operating RLEC study areas elected to adopt A-CAM, which will provide a fixed amount of annual funding for a period of ten years, effective January 1, 2017. As part of adopting the A-CAM model, our RLECs must meet certain service requirements over the ten-year period. The LICT RLECs participating in A-CAM are in six states and will receive a combined fixed payment of $23.3 million over the next ten years. In addition, the RLECs in two of these states will receive supplemental transitional payments of $0.5 million in 2017 reduced by $0.1 million per year through the end of 2021. LICT's A-CAM electors received $7.4 million of ICLS revenues in 2016 and $5.6 million of HCLS revenues in 2016 for a combined $12.9 million. Some of our A-CAM recipients also receive USF from the states in which they operate, totaling $6.4 million in 2016. Although we expect that these states will continue to support broadband deployment, it is unclear whether and if so by how much these state revenues may be affected by A-CAM.

Three Months Quarter Ended September 30, 2017 Compared To 2016

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

	2017	2016
Regulated revenues:		
Local access	$1,927	$2,018
Interstate access	10,372	7,961
Intrastate access	2,277	1,856
Other regulated	305	345
Total regulated revenues	14,881	12,180
Non-regulated revenues:		
Broadband and related services	7,682	7,152
Video (including cable modem)	2,943	2,582
Other	1,118	997
Total non-regulated revenues	11,743	10,731
Total revenues	26,624	22,911
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	11,996	11,275
General and administrative costs at operations	2,970	2,743
Corporate office expense	868	856
Depreciation and amortization	4,080	4,271
Total operating costs and expenses	19,914	19,145
Operating profit	$6,710	$3,766

Our non-regulated revenues grew by $1.0 million to $11.7 million, a 9.4% increase as compared to 2016. Non-regulated revenues, revenues from broadband services and other non-regulated services increased, specifically from our Utah ($0.5 million) operation, primarily due to the sale of additional broadband circuits outside of our regulated service territory ($0.5 million), and additional cable modem revenue (0.4 million) Non-regulated revenues currently represent 44% of our revenue streams and are expected to continue to grow. Fueled largely by additional A-CAM revenues, regulated revenues increased by $2.9 million or 22.2% to $15.1 million. A-CAM revenues of $5.9 million in 2017 exceeded 2016's ICLS and HCL revenues by $2.7 million. Intrastate revenues increased by $421 thousand due, predominantly, to a statewide revenue adjustment by the state of New Mexico ($466 thousand) offset by lower minutes of use. Combining the non-regulated and regulated revenues, total revenues in 2017 increased by $3.7 million or 16.2%, to $26.6 million compared to $22.9 million in 2016.

Total operating costs and expenses were $19.9 million in 2017, an increase of $0.8 million as compared to 2016. Costs of revenue increased $0.7 million primarily due to increased costs from the growing internet and cable modem operations. General and administrative costs incurred at the operations increased by $227 thousand. Depreciation and amortization decreased by $191 thousand from 2016 to 2017. Corporate expenses decreased by $12 thousand to $0.87 million in 2017 from $0.86 million in 2016. As a result of the above, operating profit in 2017 increased by $2.9 million from $3.8 million in 2016 to $6.7 million in 2017.

EBITDA

EBITDA is used by our management as a supplemental financial measure to evaluate the operating performance of our business and, when viewed with our GAAP results and the accompanying reconciliations, we believe it provides a more complete understanding of factors and trends affecting our business than the GAAP results alone. We also regularly communicate our EBITDA to the shareholders through our earnings releases because it is the financial measure commonly used by analysts that cover the telecommunications industry and by our investor base to evaluate our operating performance. In addition, we routinely use EBITDA as a metric for valuing potential acquisitions. We understand that analysts and investors regularly rely on non-GAAP financial measures, such as EBITDA, to provide a financial measure by which to compare a company's assessment of its operating performance against that of other companies in the same industry. This non-GAAP financial measure is helpful in more clearly reflecting the sales of our products and services, as well as highlighting trends in our core business that may not otherwise be apparent when relying solely on GAAP financial measures, because this non-GAAP financial measure eliminates from earnings financial items that have less bearing on our performance.

LICT's management believes strongly in growing intrinsic value as a long-term prescription for managing an enterprise's health. Our local management teams run their respective businesses as stand-alone, entrepreneurial units although we attempt to use economies of scale and other efficiencies (such as joint purchasing) where they are available. We believe that EBITDA is the clearest indicator of the cash flow generating ability and long-term health of such units. We value potential acquisitions on the same basis.

EBITDA refers to, for any period, net income (loss) before all components of "Other income (expense)" (consisting of investment income, interest expense, equity in earnings of affiliates, gains and losses on disposition of or impairment of assets), income taxes, depreciation, amortization, minority interests and income or loss from discontinued operations. EBITDA has been modified to include the cash we received from the equity in earnings of affiliated companies. Although we do not have majority voting control of such companies, we have the ability to significantly influence financial and accounting policies.

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

	2017	2016
EBITDA from:		
Operating units	$11,658	$8,893
Dividends from equity affiliates	725	550
EBITDA before corporate expenses	12,383	9,443
Corporate expenses	(868)	(856)
EBITDA	$11,515	$8,587
Reconciliation to net income:		
EBITDA	$11,515	$8,587
Less dividends from equity affiliates	(725)	(550)
Depreciation and amortization	(4,080)	(4,271)
Investment income	48	44
Interest expense	(515)	(621)
Equity in income of affiliates	676	579
Other income (expense) – Other	(1,127)	(989)
Income tax	(2,282)	(1,031)
Net income for continuing operations	$3,510	$1,748

Other Income (Expense)

In 2017, investment income increased by $4 thousand due to increased United States Treasury rates in 2017.

Interest expense decreased by $106 thousand in 2017 primarily due to lower interest rates offset by increased average debt outstanding, due to the FCC Deposit for Auction 1002 of $11.0 million.

Equity in earnings of affiliates in 2017 increased by $97 thousand and primarily represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

In 2016, the Company initiated a Shareholder Designated Contribution Program. The Company continued that Program in 2017. In both years the Program was completed in the Third Quarter. Under the Program in both 2017 and 2016, each registered shareholder was eligible to designate a charity to which the Company donated $100 per share on behalf of the shareholder. A total of $1,139,000of contributions were made to charitable organizations in 2017 and $991,000 were made in 2016. These amounts are included in Other income(expense) - Other. The After-Tax Diluted Earnings Per Share effect of these Programs was $35.25 in 2017 and $30.47 in 2016.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2017 and 2016, represent effective tax rates of 39.4% and 37.1%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income for 2017 was $3.5 million, or $167.50 per basic share and $167.21 per diluted share, compared to a net income of $1.7 million, or $81.89 per basic share and $81.43 per diluted share in 2016.

Nine Months Ended September 30, 2017 Compared To 2016

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

	2017	2016
Regulated revenues:		
Local access	$5,773	$5,925
Interstate access	31,262	23,745
Intrastate access	6,823	5,268
Other regulated	964	1,024
Total regulated revenues	44,822	35,962
Non-regulated revenues:		
Broadband and related services	22,600	20,383
Video (including cable modem)	8,646	7,714
Other	3,196	2,889
Total non-regulated revenues	34,442	30,986
Total revenues	79,264	66,948
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	35,681	23,220
General and administrative costs at operations	8,734	8,319
Corporate Office Expense	2,927	2,767
Depreciation and amortization	13,201	13,153
Total operating costs and expenses	60,543	57,459
Operating profit	$18,721	$9,489

Our non-regulated revenues grew by $3.5 million to $34.4 million, a 11.2% increase as compared to 2016. Non-regulated revenues, revenues from broadband services and other non-regulated services increased, specifically from our Utah ($1.9 million), Kansas ($0.4 million), and Iowa ($0.4 million) operations, primarily due to the sale of additional broadband circuits outside of our regulated service territory ($1.7 million), and additional cable modem revenue ($0.9 million). Non-regulated revenues currently represent 44% of our revenue streams and are expected to continue to grow. Fueled largely by additional A-CAM revenues, regulated revenues increased by $8.9 million or 24.6% to $44.9 million. A-CAM revenues of $17.8 million in 2017 exceeded 2016's ICLS and HCL revenues by $8.0 million. Intrastate revenues increased by $1.7 million due, predominantly, to a statewide revenue adjustment by the state of New Mexico ($1.8 million) offset by lower minutes of use. Combining the non-regulated and regulated revenues, total revenues in 2017 increased by $12.6 million or 8.9%, to $79.3 million compared to $66.9 million in 2016.

Total operating costs and expenses were $60.5 million in 2017, an increase of $3.1 million as compared to 2016. Costs of revenue increased $2.5 million primarily due to increased costs from the growing internet and cable television operations. General and administrative costs incurred at the operations increased by $0.4 million. Depreciation and amortization increased by $48 thousand from 2016 to 2017, Corporate expenses increased by $160 thousand to $2.93 million in 2017 from $2.77 million in 2016 are due to stock compensation award in 2017 of $205 thousand. As a result of the above, operating profit in 2017 increased by $9.2 million from $9.4 million in 2016 to $18.7 million in 2017.

EBITDA

EBITDA is used by our management as a supplemental financial measure to evaluate the operating performance of our business and, when viewed with our GAAP results and the accompanying reconciliations, we believe it provides a more complete understanding of factors and trends affecting our business than the GAAP results alone. We also regularly communicate our EBITDA to the shareholders through our earnings releases because it is the financial measure commonly used by analysts that cover the telecommunications industry and by our investor base to evaluate our operating performance. In addition, we routinely use EBITDA as a metric for valuing potential acquisitions. We understand that analysts and investors regularly rely on non-GAAP financial measures, such as EBITDA, to provide a financial measure by which to compare a company's assessment of its operating performance against that of other companies in the same industry. This non-GAAP financial measure is helpful in more clearly reflecting the sales of our products and services, as well as highlighting trends in our core business that may not otherwise be apparent when relying solely on GAAP financial measures, because this non-GAAP financial measure eliminates from earnings financial items that have less bearing on our performance.

LICT's management believes strongly in growing intrinsic value as a long-term prescription for managing an enterprise's health. Our local management teams run their respective businesses as stand-alone, entrepreneurial units although we attempt to use economies of scale and other efficiencies (such as joint purchasing) where they are available. We believe that EBITDA is the clearest indicator of the cash flow generating ability and long-term health of such units. We value potential acquisitions on the same basis.

EBITDA refers to, for any period, net income (loss) before all components of "Other income (expense)" (consisting of investment income, interest expense, equity in earnings of affiliates, gains and losses on disposition of or impairment of assets), income taxes, depreciation, amortization, minority interests and income or loss from discontinued operations. EBITDA has been modified to include the cash we received from the equity in earnings of affiliated companies. Although we do not have majority voting control of such companies, we have the ability to significantly influence financial and accounting policies.

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

	2017	2016
EBITDA from:		
Operating units	$34,849	$25,409
Dividends from equity affiliates	1,375	1,300
EBITDA before corporate expenses	36,224	26,709
Corporate expenses	(2,927)	(2,767)
EBITDA	$37,297	$23,942
Reconciliation to net income:		
EBITDA	$33,297	$23,942
Less dividends from equity affiliates	(1,375)	(1,300)
Depreciation and amortization	(13,201)	(13,153)
Investment income	374	434
Interest expense	(1,646)	(1,945)
Equity in income of affiliates	1,750	1,408
Other income (expense) – Other	1,127	(983)
Income tax	(7,133)	(3,329)
Net income	$10,939	$5,074

Other Income (Expense)

In 2017, investment income decreased by $60 thousand due to lower distributions from investments recorded on a cost basis.

Interest expense decreased by $299 thousand in 2017 primarily due to lower interest rates offset by increased average debt outstanding, due to the FCC Deposit for Auction 1002 of $11.0 million.

Equity in earnings of affiliates in 2017 increased by $342 thousand and represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

In 2016, the Company initiated a Shareholder Designated Contribution Program. The Company continued that Program in 2017. In both years the Program was completed in the Third Quarter. Under the Program in both 2017 and 2016, each registered shareholder was eligible to designate a charity to which the Company donated $100 per share on behalf of the shareholder. A total of $1,139,000 of contributions were made to charitable organizations in 2017 and $991,000 were made in 2016. These amounts are included in Other income(expense) - Other. The After-Tax Diluted Earnings Per Share effect of these Programs was $34.96 in 2017 and $30.34 in 2016.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provisions for 2017 and 2016 represent effective tax rates of 39.4% and 39.6%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income for 2017 was $10.9 million, or $518.69 per basic share and $516.86 per diluted share, compared to a net income of $5.1 million, or $236.59 per basic share and $235.51 per diluted share in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

On April 11, 2017, Brighton Communications Corporation ("Brighton"), a wholly-owned subsidiary of LICT, closed on a $50 million revolving credit facility from CoBank, ACB. The facility, which expires in December 2019, replaced a $30 million line of credit with CoBank. Brighton owns substantially all of the subsidiaries within the LICT consolidated group of companies. As of September 30, 2017, there was $8.2 million outstanding under the $50 million facility, classified as long-term debt. The average balance outstanding under the facility was $9.4 million at an average interest rate of 3.49%. Management believes that the current CoBank facility provides adequate liquidity for at least the next twelve months.

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, 2017, for the periods shown, these contractual obligations and certain other financing commitments from banks and other financial institutions that provide liquidity:

	Payments Due by Period (In thousands)				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt, principal only	$20,401	$9,256	$3,498	$7,647	--
Notes payable	8,200	--	8,200	--	--
Operating leases	2,452	575	868	678	331
Interest on long-term debt	3,449	1,691	1,424	334	--
Total contractual cash obligations and commitments	$34,502	$11,522	$13,990	$8,659	$331

At September 30, 2017, total debt was $28.6 million, a decrease of $13.5 million from December 31, 2016. At September 30, 2017, there was $20.1 million of fixed interest rate debt outstanding, averaging 6.9%, and $8.2 million of variable interest rate debt, averaging 3.49%. The fixed interest rate debt is comprised of subordinated notes at interest rates averaging 6.91% issued to sellers as part of acquisitions. The long-term debt facilities at certain subsidiaries are secured by substantially all of such subsidiaries' assets, while at other subsidiaries it is secured by the common stock of such subsidiaries. In addition, the debt facilities contain certain covenants restricting distributions to LICT.

LICT has a manageable degree of financial leverage. As of June 30, 2017, the ratio of total debt to total EBITDA, on a trailing twelve-month basis, was 0.74 to 1. Certain subsidiaries have higher debt to EBITDA ratios.

As of September 30, 2017, LICT had current assets of $22.1 million and current liabilities of $19.2 million resulting in working capital of $2.9 million compared to $17.7 million at December 31, 2016.

LICT Wireless Broadband Company, LLC ("LICT Wireless"), a wholly owned subsidiary of the Company, participated in the FCC forward auction phase of the broadcast incentive auction - Auction 1002 ("Auction"), which ended on March 31, 2017. LICT Wireless had made an upfront deposit of $11.0 million in this Auction. In this Auction, LICT Wireless acquired two 10MHz licenses in the state of Michigan for a total of $0.7 million. The company received the net excess deposit of $10.3 million in April 2017, the majority of which was used to pay down the Brighton line of credit.

Sources and Uses of Cash

As described in more detail below, the company's operating cash flows in 2017 and beyond will be impacted by the A-CAM election by certain of its RLEC operations.

Cash at September 30, 2017 was $7.5 million, as compared to $8.5 million at December 31, 2016. In the first nine months of 2017, net cash provided by operations of $21.7 million was primarily used to invest in plant and equipment ($14.2 million), repay debt ($13.5 million), and purchase treasury shares ($5.4 million).

In the nine months ended June 30, capital expenditures were $14.2 million in 2017 as compared to $11.1 million in 2016.

In 2008 through the present, the Company has taken bonus depreciation deductions for eligible property additions as allowed by the Internal Revenue Service of 50%, in 2008, 100% starting September 9, 2010 through December 31, 2011 and 50% thereafter. Such deductions have the effect of reducing current taxes payable, but will increase tax payments in future years.

The Company received cash distributions from a 25% interest in the California RSA # 2 Partnership of $1.4 million in the nine months of 2017 compared to $1.3 million in the prior year period. The partnership is projecting that the Company's share of the total 2017 distribution will be $2.0 million.

The Company's Board of Directors has authorized the purchase of up to 6,700 shares of the Company's common stock, and included in that amount were an additional 900 shares added in May 2017. Through June 30, 2017, 5,871 shares have been purchased at an average investment of $3,905 per share, including 513 shares purchased in 2017 at an average investment of $10,598 per share.

On June 21, 2017, the Company announced the continuation of a Shareholder Charitable Contribution Program in 2017 for all registered shareholders. The program was originally adopted in 2016 and all registered shareholders as of July 21, 2017, were eligible to designate charities to which the company will donate $100 per share on behalf of the shareholder. Total charitable contributions under this program were $1,139,000 which were paid in the Third Quarter of 2017. During 2016, we conducted a similar Shareholder Designated Contribution Program, also at $100 per share and our charitable contributions totaled $991,000.

The Company has not paid any cash dividends since its spin-off from Lynch Corporation in 1999. The Company has spun-off three entities: Morgan Group Holding Co., CIBL, Inc., and ICTC Group, Inc. Since its spin-off from LICT, CIBL, Inc. has made cash distributions to shareholders of $170 per share