LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended June 30, 2018

401 Theodore Fremd Avenue, Rye, New York 10580

(914) 921-8821

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

	June 30, 2018	December 31, 2017	June 30, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	$7,876	$7,054	$8,571
Receivables, less allowances of $297, $348, and $302, respectively	8,548	8,737	7,774
Material and supplies	4,769	4,205	4,585
Prepaid expenses and other current assets	2,440	2,151	2,137
Total current assets	23,633	22,147	23,067
Property, plant and equipment:			
Land	955	955	955
Buildings and improvements	17,651	17,648	17,458
Machinery and equipment	348,003	339,439	327,573
	366,609	358,042	345,986
Accumulated depreciation	(274,833)	(266,391)	(260,206)
	91,776	91,651	85,780
Goodwill	48,764	48,764	48,764
Other intangibles	2,619	2,628	2,645
Investments in and advances to affiliated entities	5,072	5,201	5,300
Other assets	9,180	9,534	9,424
Total assets	$181,044	$179,925	$174,980

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2018	December 31, 2017	June 30, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$2,179	$3,089	$2,152
Accrued interest payable	105	119	116
Accrued liabilities	8,585	5,139	6,383
Current maturities of long-term debt	1,276	2,425	10,375
Total current liabilities	12,145	10,772	19,026
Long-term debt	19,000	28,576	17,386
Deferred income taxes	14,610	14,673	19,892
Other liabilities	3,571	3,665	3,781
Total liabilities	49,326	57,686	60,085
Shareholders' equity			
Common stock, $0.0001 par value- 10,000,000 shares authorized; 26,830.50, 26,795.50, 26,637.50 issued; 20,304.23, 20,509.37 and 21,168.37outstanding	--	--	--
Additional paid-in capital	17,537	17,470	17,419
Retained earnings	144,028	131,734	116,774
Treasury stock, 6,526.27, 6,286.13 and 5,627.13 shares, at cost	(29,847)	(26,965)	(19,298)
Total shareholders' equity	131,718	122,239	114,895
Total liabilities and shareholders' equity	$181,044	$179,925	$174,980

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 June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Revenues	$27,487	$26,554	$54,655	$52,640
Costs and expenses:				
Cost of revenue, excluding depreciation	12,261	11,845	24,194	23,685
General and administrative costs at operations	2,922	2,951	5,721	5,764
Corporate office expenses	941	1,006	1,923	2,059
Depreciation and amortization	4,813	4,526	9,877	9,121
Total Costs and Expenses	20,937	20,328	41,715	40,629
Operating profit	6,550	6,226	12,940	12,011
Other income (expense):				
Investment income	59	51	342	326
Interest expense	(443)	(539)	(936)	(1,131)
Equity in earnings of affiliated companies	677	678	1,022	1,074
Other	3,311	(2)	3,330	--
	3,604	188	3,758	269
Income before income taxes	10,154	6,414	16,698	12,280
Provision for income taxes	(2,681)	(2,593)	(4,404)	(4,851)
Net income	$7,473	$3,821	$12,294	$7,429
Weighted average shares outstanding:				
Basic average shares outstanding	20,279	21,141	20,368	21,158
Diluted average shares outstanding	20,329	21,235	20,405	21,252
Actual shares outstanding	20,304	21,168	20,304	21,168
Earnings per share: **				
Basic	$368.52	$180.74	$603.59	$351.12
Diluted	$367.61	$179.94	$602.49	$349.56

*** Please note that operating results include $3.3 million cash received from the partial proceeds from the sale of assets by a minority position owned by the Company. These proceeds are included in other income-other, on the Income Statement above. The after tax impact of this item on Earnings per share for the second quarter and first half of 2018 is approximately $120 per share.*

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	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2017	20,509	$--	$17,470	$131,734	($26,965)	$122,239
Net income for the period	--	--	--	12,294	--	12,294
Restricted Stock Awards	35	--	67	--	--	67
Purchase of Treasury Stock	(240)	--	--	--	(2,882)	(2,882)
Balance at June 30, 2018	20,304	$--	$17,537	$144,028	($29,847)	$131,718

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, 2018	Six Months Ended June 30, 2017
Operating activities:		
Net Income	$12,294	$7,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,921	9,176
Equity in earnings of affiliated companies	(1,022)	(1,074)
Distributions received from affiliated companies	1,063	650
Deferred income tax provision	(105)	(196)
Restricted and Other Stock Award Expense	67	257
Gain from sale of assets of minority owned entity	(3,314)	--
Changes in operating assets and liabilities:		
Accounts receivables	189	(369)
Income tax payable/ receivable	3,799	(503)
Accounts payable and accrued liabilities	(1,236)	(738)
Other Operating assets and liabilities	(905)	(1,593)
Other	(24)	(44)
Net cash provided by operating activities	20,727	12,995
Investing activities:		
Capital expenditures	(10,137)	(7,746)
Proceeds from sale of assets from minority owned entity	3,314	--
Return of deposit for Auction 1002	--	11,000
Acquisition of spectrum licenses	--	(686)
Other	525	301
Net cash provided by(used in) investing activities	(6,298)	2,869
Financing activities:		
Repayments of long term debt	(2,425)	(2,830)
Borrowings (repayments) related to lines of credit, net	(8,300)	(11,500)
Purchase of treasury stock	(2,882)	(1,267)
Other	--	(166)
Net cash used in financing activities	(13,607)	(15,763)
Net increase in cash and cash equivalents	822	101
Cash and cash equivalents at beginning of period	7,054	8,470
Cash and cash equivalents at end of period	$7,876	$8,571

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 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, 2017. 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 month periods ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. 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 June 30, 2018, December 31, 2017 and June 30, 2017, the net investment in the partnership was $4.0 million, $4.1 million, and $4.0 million, respectively. The Company's share of income, included in Equity in Earnings of Affiliated Companies was $1.1 million and $1.1 million for the six months ended June 30, 2018 and 2017, respectively. Cash distributions from RSA # 2 for the three months ending June 30, 2018 and 2017 were $1.1 million and $0.7 million, respectively.

	June 30,	
	2018	2017
OPERATING RESULTS		
Three Months Ended		
Revenues	$6,378	$6,657
Gross Margin	4,074	4,176
Net profit	2,439	2,559
Six Months Ended		
Revenues	$12,163	$12,176
Gross Margin	7,721	7,523
Net Profit	4,514	4,244
BALANCE SHEET		
Current assets	$5,425	$6,224
Property, plant and equipment and Other – net	11,531	10,924
	$16,956	$17,148
Current liabilities	$1,430	$1,721
Long-term liabilities	2,016	2,085
Partners' equity	13,510	13,342
	$16,956	$17,148

C. Indebtedness

The Company has a $50 million line of credit agreement with CoBank, ACB ("CoBank"), which expires in December 2019 with an interest rate of LIBOR plus 2.5%. The average balance of notes payable outstanding was $7.9 million in the first six months of 2018; the highest amount outstanding was $10.6 million in 2018; and the average interest rate was 4.27% in 2018.

Long-term debt at June 30, 2018, December 31, 2017, and June 30, 2017 consists of (all interest rates are at June 30, 2018) (in thousands):

	June 30, 2018	December 31, 2017	June 30, 2017
Rural Electrification Administration ("REA") and Rural Telephone Bank ('RTB") notes payable	$--	$--	$1,222
Bank Credit facilities utilized by certain telephone and telephone holding companies	--	--	877
Secured notes issued to sellers in connection with acquisitions at fixed interest rate of 6.0%	7,647	7,647	7,647
Unsecured notes issued in connection with acquisitions at fixed interest rates of 6.0%	10,329	12,754	13,554
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 4.59%	2,300	10,600	4,500
Deferred Finance Costs	--	--	(39)
	20,276	31,001	27,761
Current maturities	(1,276)	(2,425)	(10,375)
	$19,000	$28,576	$17,386

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 June 30, 2018, December 31, 2017 and June 30, 2017, assets of $3.4 million, $3.3 million and $4.4 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.

F. Other Income

Included in other income is a $3.3 million gain from the partial proceeds from the sale of assets by a minority position owned by the Company.

MANAGEMENT'S DISCUSSION OF OPERATIONS

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

RESULTS OF OPERATIONS

Overview

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

The broad array of communications 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 benefits to all Americans and to the nation as a whole. 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 numerous federal and state support mechanisms, which are generally referred to as Universal Service Funds ("USF"). Such programs evolve constantly to take into consideration customer needs, as well as new services and technologies, and to encourage RLECs to invest in and support the new technologies and provide new services to their customers. In addition, the rates we can charge for some of our services are regulated by the FCC and in many cases, the various state public utility commissions. 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 Alternative Connect America Cost model ("A-CAM") support program, discussed below, has significantly increased the amount of federal support we are receiving with the required obligation to build broadband to a specific number of locations in rural America. The A-CAM funding mechanism is a ten-year USF program which runs through 2026 with a predictable, set amount of support for the ten-year period. 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 – including 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 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.

Three Months ended June 30, 2018 compared to 2017

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

	2018	2017
Regulated revenues:		
Local access	$1,852	$1,932
Interstate access	10,447	10,545
Intrastate access	2,304	2,272
Other regulated	285	334
Total regulated revenues	14,888	15,083
Non-regulated revenues:		
Broadband and related services	8,129	7,539
Video (including cable modem)	3,331	2,885
Other	1,139	1,047
Total non-regulated revenues	12,599	11,471
Total revenues	27,487	26,554
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	12,261	11,845
General and administrative costs at operations	2,922	2,951
Corporate office expenses	941	1,006
Depreciation and amortization	4,813	4,526
Total operating costs and expenses	20,937	20,328
Operating profit	$6,550	$6,226

In the 2nd Quarter of 2018, our non-regulated revenues grew by $1.1 million to $12.6 million, a 9.8% increase as compared to 2017. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($0.8 million) and Kansas ($0.2 million) operations. These increased sales came primarily from additional broadband circuits outside of our regulated service territory and additional video (cable modem) revenue. Non-regulated revenues currently represent 46% of our revenue streams and are expected to continue to grow. Regulated revenues at $14.9 million were $0.2 million below the $15.1 million recorded in 2017, a decrease of 1.3%. Combining the non-regulated and regulated revenues, total revenues in 2018 increased by $0.9 million or 3.5%, to $27.5 million compared to $26.6 million in 2017.

Total operating costs and expenses were $20.9 million in 2018, an increase of $0.6 million as compared to 2017. The costs of revenue increased by $416 thousand, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations decreased by $29 thousand. Corporate expenses decreased by $65 thousand due to lower compensation expense in 2018. Depreciation and amortization increased by $287 thousand from 2018 to 2017, due to increased capital expenditures in late 2017 and early

2018. As a result of the above, operating profit in 2018 increased by $0.4 million from $6.2 million in 2017 to $6.6 million in 2018.

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.

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:

	2018	2017
EBITDA from:		
Operating units	$12,304	$11,758
Dividends from equity affiliates	525	437
EBITDA before corporate expenses	12,829	12,195
Corporate expenses	(941)	(1,006)
EBITDA	$11,888	$11,189
Reconciliation to net income:		
EBITDA	$11,888	$11,189
Less dividends from equity affiliates	(525)	(437)
Depreciation and amortization	(4,813)	(4,526)
Investment income	59	51
Interest expense	(443)	(539)
Equity in income of affiliates	677	678
Other income (expense) – Other	3,311	(2)
Income tax	(2,681)	(2,593)
Net income	$7,473	$3,821

Other Income (Expense)

In the second quarter of 2018, investment income increased slightly by $8 thousand due to interest on the Company's investment in U.S. Treasuries.

Interest expense decreased by $96 thousand, primarily due to lower borrowing amounts at higher interest rates.

Equity in earnings of affiliates in the second quarter of 2018 was essentially the same as 2017 and represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

Included in other income was a $3.3 million gain from the partial proceeds from the sale of assets by a minority position owned by the Company.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2018 and 2017 represent effective tax rates of 26.4% and 40.4%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes and the lowering of the federal income tax rate from 34% in 2017 to 21% in 2018.

Net Income

Net income for 2018 was $7.4 million, or $368.52 per basic share and $367.61 per diluted share. These amounts include the gain on the sale from the minority position. Excluding this gain, basic earnings per share was $248.34 and diluted earnings per share was $247.73, as compared to 2017 amounts of $180.74 and $179.94 respectively on net income of $3.8 million.

Six Months ended June 30, 2018 compared to 2017

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

	2018	2017
Regulated revenues:		
Local access	$3,698	$3,846
Interstate access	21,002	20,890
Intrastate access	4,606	4,546
Other regulated	582	659
Total regulated revenues	29,888	29,941
Non-regulated revenues:		
Broadband and related services	15,977	14,918
Video (including cable modem)	6,517	5,703
Other	2,273	2,078
Total non-regulated revenues	24,767	22,699
Total revenues	54,655	52,640
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	24,194	23,685
General and administrative costs at operations	5,721	5,764
Corporate office expenses	1,923	2,059
Depreciation and amortization	9,877	9,121
Total operating costs and expenses	41,715	40,629
Operating profit	$12,940	$12,011

In the first half of 2018, our non-regulated revenues grew by $2.1 million to $24.8 million, a 9.1% increase as compared to 2017. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($1.4 million) and Kansas ($0.3 million) operations. These increased sales came primarily from additional broadband circuits outside of our regulated service territory and additional video (cable modem) revenue. Non-regulated revenues currently represent 46% of our revenue streams and are expected to continue to grow. Regulated revenues in 2018 remained consistent with the first half of 2017, with revenue at $29.9 million. Combining the non-regulated and regulated revenues, total revenues in 2018 increased by $2.0 million, or 3.8%, to $54.7 million compared to $52.6 million in 2017.

Total operating costs and expenses were $41.7 million in 2018, an increase of $1.1 million as compared to 2017. The costs of revenue increased by $509 thousand, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations decreased by $43 thousand. Corporate expenses decreased by $136 thousand due to lower compensation expense in 2018. Depreciation and amortization increased by $756 thousand from 2018 to 2017, due to increased capital expenditures in late 2017 and early 2018. As a result of the above, operating profit in 2018 increased by $0.9 million from $12.0 million in 2017 to $12.9 million in 2018.

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:

	2018	2017
EBITDA from:		
Operating units	$24,740	$23,191
Dividends from equity affiliates	1,063	650
EBITDA before corporate expenses	25,803	23,841
Corporate expenses	(1,923)	(2,059)
EBITDA	$23,880	$21,782
Reconciliation to net income:		
EBITDA	$23,880	$21,782
Less dividends from equity affiliates	(1,063)	(650)
Depreciation and amortization	(9,877)	(9,121)
Investment income	342	326
Interest expense	(936)	(1,131)
Equity in income of affiliates	1,022	1,074
Other income (expense) – Other	3,330	--
Income tax	(4,404)	(4,851)
Net income	$12,294	$7,429

Other Income (Expense)

In the first half of 2018, investment income increased slightly by $16 thousand due to increases in interest on the Companies investments in U.S. Treasuries.

Interest expense decreased by $195 thousand, primarily due to lower borrowing amounts at higher interest rates.

Equity in earnings of affiliates in the first half of 2018 decreased by $52 thousand and represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

Included in other income was a $3.3 million gain from the partial proceeds from the sale of assets by a minority position owned by the Company.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2018 and 2017 represent effective tax rates of 26.4% and 39.5%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes and the lowering of the federal income tax rate from 34% in 2017 to 21% in 2018.

Net Income

Net income for 2018 was $12.3 million, or $603.59 per basic share and $602.49 per diluted share. These amounts include the gain on the sale from the minority position. Excluding this gain, basic earnings per share was $483.84 and diluted earnings per share was $482.96, as compared to 2017 amounts of $351.12 and $349.56 respectively on net income of $7.4 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Brighton Communications Corporation ("Brighton"), a wholly-owned subsidiary of LICT, has a $50 million revolving credit facility from CoBank, ACB. The facility, which expires in December 2019. Brighton owns substantially all of the subsidiaries within the LICT consolidated group of companies. As of June 30, 2018, there was $2.3 million outstanding under the $50 million facility, classified as long-term debt. The average balance outstanding under the facility was $7.8 million at an average interest rate of 4.27%. 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 June 30, 2018 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	$17,976	$1,276	$16,700	$--	$--
Notes payable	2,300	--	2,300	--	--
Operating leases	2,452	575	868	678	331
Interest on long-term debt	2,817	1,611	1,206	--	--
Total contractual cash obligations and commitments	$25,545	$3,462	$21,074	$678	$331

At June 30, 2018, total debt was $20.3 million, a decrease of $10.7 million from December 31, 2017, which included $18.0 million of fixed interest rate debt outstanding, averaging 6.0%, and $2.3 million of variable interest rate debt, averaging 4.59%. The long-term debt facilities at one subsidiary are secured by the common stock of such subsidiary In addition, the revolving credit facility contain certain covenants restricting distributions to LICT.

LICT has a manageable degree of financial leverage. As of June 30, 2018, the ratio of total debt to total EBITDA, on a trailing twelve-month basis, was 0.45 to 1.

As of June 30, 2018, LICT had current assets of $23.6 million and current liabilities of $12.1 million resulting in working capital of $11.5 million compared to $11.4 million at December 31, 2017.

Sources and Uses of Cash

Effective January 1, 2017, ten of LICT's rural telephone companies in six of the states in which we provide service elected to participate in the FCC's A-CAM program and received $23.78 million of A-CAM revenue for 2017 and LICT committed to build broadband out to a specific number of locations. The A-CAM program is designed to speed and expand the deployment of broadband capacities throughout the nation's rural areas and replaced two prior USF mechanisms for companies electing A-CAM. During 2018, the FCC expanded the A-CAM program for companies whose A-CAM support was initially capped and offered the LICT companies an additional $2.9 million in annual A-CAM funding, which is retroactive to January 1, 2017 with an increase in the build-out obligation requirements. LICT expects to receive an additional $5.8 million from the expanded A-CAM program in 2018, $2.9 million of which relates to the twelve months of 2017. Through June 30, 2018, no A-CAM revenues from the expanded program have been recorded. Funding of the incremental A-CAM revenues, including the true-up back to January 1, 2017, is expected to begin in the third quarter of 2018. The 2018 A-CAM revenues were initially set to be $23.67 million; therefore, with the expanded A-CAM program, LICT's 2018 A-CAM revenues will be $26.57 million (excluding the true-up for 2017).

On April 30, 2018, the Company announced it was continuing its shareholder Charitable Contribution Program in 2018 for all registered shareholders. Under this program the company will make a donation of $100 per share on behalf of the shareholder to a designated 501 (c) (3) organization. During 2017, the Company conducted a similar Shareholder Designated Contribution Program, also at $100 per share, and charitable contributions for both the Shareholder and Employee Designated program totaled $1.2 million.

Cash at June 30, 2018 was $7.9 million, as compared to $7.1 million at December 31, 2017. In the first six months of 2018, net cash provided by operations of $20.7 million was primarily used to invest in plant and equipment ($10.1 million), repay debt ($10.4 million), and purchase treasury shares ($2.9 million).

In the first six months, capital expenditures were $10.1 million in 2018 as compared to $7.7 million in 2017.

Since 2008 through the present, the Company has taken bonus depreciation deductions for eligible property additions as allowed by the Internal Revenue Service of 50%, starting January 1, 2008; 100% starting September 9, 2010 through December 31, 2011; 50% starting January 1, 2012; and 100% starting September 27, 2017. 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 $1.1 million in the first six months of 2018 compared to $0.7 million in the prior year period. The Partnership projects that the Company's share of the total 2018 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. Through June 30, 2018, 6,406 shares have been purchased at an average investment of $4,575 per share, including 240 shares purchased in 2018 at an average investment of $11,997 per share.

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.