LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended September 30, 2018

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

	September 30, 2018	December 31, 2017	September 30, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	$12,813	$7,054	$7,503
Receivables, less allowances of $304, $348, and $333, respectively	8,167	8,737	8,080
Material and supplies	5,064	4,205	4,634
Prepaid expenses and other current assets	2,482	2,151	1,902
Total current assets	28,526	22,147	22,119
Property, plant and equipment:			
Land	955	955	955
Buildings and improvements	17,550	17,648	17,512
Machinery and equipment	352,634	339,439	333,767
	371,139	358,042	352,234
Accumulated depreciation	(279,097)	(266,391)	(264,097)
	92,042	91,651	88,137
Goodwill	48,764	48,764	48,764
Other intangibles	2,615	2,628	2,641
Investments in and advances to affiliated entities	5,549	5,201	5,244
Other assets	9,043	9,534	9,468
Total assets	$186,539	$179,925	$176,373

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2018	December 31, 2017	September 30, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$2,344	$3,089	$2,372
Accrued interest payable	55	119	91
Accrued liabilities	10,876	5,139	7,457
Current maturities of long-term debt	2,425	2,425	9,256
Total current liabilities	15,700	10,772	19,176
Long-term debt	15,551	28,576	19,345
Deferred income taxes	14,600	14,673	19,936
Other liabilities	3,461	3,665	3,656
Total liabilities	49,312	57,686	62,113
Shareholders' equity			
Common stock, $0.0001 par value- 10,000,000 shares authorized; 26,831, 26,796, 26,638 issued; 20,134, 20,509 and 20,804outstanding	--	--	--
Additional paid-in capital	17,591	17,470	17,444
Retained earnings	151,934	131,734	120,284
Treasury stock, 6,696, 6,286 and 5,991 shares, at cost	(32,298)	(26,965)	(23,468)
Total shareholders' equity	137,227	122,239	114,260
Total liabilities and shareholders' equity	$186,539	$179,925	$176,373

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,	
	2018	**2017**	**2018**	**2017**
Revenues	$32,322	$26,624	$86,977	$79,264
Costs and expenses:				
Cost of revenue, excluding depreciation	12,073	11,996	36,267	35,681
General and administrative costs at operations	2,994	2,970	8,715	8,734
Corporate office expenses	1,162	868	3,085	2,927
Depreciation and amortization	4,786	4,080	14,663	13,201
Total Costs and Expenses	21,015	19,914	62,730	60,543
Operating profit	11,307	6,710	24,247	18,721
Other income (expense):				
Investment income	205	48	547	374
Interest expense	(340)	(515)	(1,276)	(1,646)
Equity in earnings of affiliated companies	890	676	1,912	1,750
Other	(1,276)	(1,127)	2,054	(1,127)
	(521)	(918)	3,237	649
Income before income taxes	10,786	5,792	27,484	18,072
Provision for income taxes	(2,880)	(2,282)	(7,284)	(7,133)
Net income	$7,906	$3,510	$20,200	$10,939
Weighted average shares outstanding:				
Basic average shares outstanding	20,201	20,956	20,309	21,090
Diluted average shares outstanding	20,236	21,992	20,345	21,164
Actual shares outstanding	20,134	20,804	20,134	20,804
Earnings per share: *				
Basic	$391.37	$167.50	$994.63	$518.69
Diluted	$390.69	$167.21	$992.85	$516.86

** 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 nine months ended September 30, 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	--	--	--	20,200	--	20,200
Restricted Stock Awards	35	--	121	--	--	121
Purchase of Treasury Stock	(240)	--	--	--	(5,333)	(5,333)
Balance at September 30, 2018	20,304	$--	$17,591	$151,934	($32,298)	$137,227

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,	
	2018	**2017**
Operating activities:		
Net Income	$20,200	$10,939
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,728	13,316
Equity in earnings of affiliated companies	(1,912)	(1,750)
Distributions received from affiliated companies	1,475	1,375
Deferred income tax provision	(125)	(155)
Restricted and Other Stock Award Expense	121	282
Gain from sale of assets of minority owned entity	(3,314)	--
Changes in operating assets and liabilities:		
Accounts receivables	570	(675)
Income tax payable/ receivable	5,098	(286)
Accounts payable and accrued liabilities	(119)	319
Other Operating assets and liabilities	(1,308)	(1,597)
Other	(24)	(45)
Net cash provided by operating activities	35,390	21,723
Investing activities:		
Capital expenditures	(15,373)	(14,212)
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	786	340
Net cash used in investing activities	(11,273)	(3,558)
Financing activities:		
Repayments of long term debt	(2,425)	(5,729)
Repayments related to lines of credit, net	(10,600)	(7,800)
Purchase of treasury stock	(5,333)	(5,437)
Other	--	(166)
Net cash used in financing activities	(18,358)	(19,132)
Net increase (decrease) in cash and cash equivalents	5,759	(967)
Cash and cash equivalents at beginning of period	7,054	8,470
Cash and cash equivalents at end of period	$12,813	$7,503

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 (2% 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 nine-month periods ended September 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 September 30, 2018, December 31, 2017 and September 30, 2017, the net investment in the partnership was $4.3 million, $4.1 million, and $4.1 million, respectively. The Company's share of income, included in Equity in Earnings of Affiliated Companies was $1.7 million for both for the nine months ended September 30, 2018 and 2017. Cash distributions from RSA # 2 for the nine months ending September 30, 2018 and 2017 were $1.5 million and $1.4 million, respectively.

	September 30,	
	2018	**2017**
OPERATING RESULTS		
Three Months Ended		
Revenues	$6,989	$6,244
Gross Margin	4,565	4,140
Net profit	2,921	2,554
Nine Months Ended		
Revenues	$19,152	$18,421
Gross Margin	12,286	11,663
Net Profit	7,435	6,798

	September 30	
	2018	2017
BALANCE SHEET		
Current assets	$6,669	$5,768
Property, plant and equipment and Other – net	11,615	10,838
	$18,284	$16,606
Current liabilities	$1,471	$1,600
Long-term liabilities	2,036	2,010
Partners' equity	14,777	12,996
	$18,284	$16,606

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 $6.3 million in the first nine months of 2018; the highest amount outstanding was $10.6 million in 2018; and the average interest rate was 4.30% in 2018.

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

	September 30, 2018	December 31, 2017	September 30, 2017
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	12,754
Revolving credit facility from CoBank, ACB at Brighton Communications Corporation, secured by the assets of certain operations and holding companies	--	10,600	8,200
	17,976	31,001	28,601
Current maturities	(2,425)	(2,425)	(9,256)
	$15,551	$28,576	$19,345

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, 2018, December 31, 2017 and September 30, 2017, assets of $7.8 million, $3.3 million and $3.4 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.

As of September 30, 2018, LICT provided service to 73,177 revenue generating units consisting of 33,386 high speed data lines, 34,135 voice lines, and 5,656 video subscribers. Comparable amounts at December 31, 2017 were 31,521, 34,201, and 5,985 respectively. Operations are deployed through 4,564 miles of fiber optic cable, 11,819 miles of copper cable, and 695 miles of coaxial cable and 45 towers.

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, Internet Protocol Television ("IPTV") and Over The Top;
- Access for other telephone service providers to the intra-state and interstate networks;
- Private line connections between, for example, two branches of a business;
- Public access, including, for example, 911 service;
- Managed Hosting, where we host virtual switchboards for customers; and
- Fixed wireless broadband service, primarily for 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. 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.

Effective January 1, 2017, ten of the Company's rural telephone companies elected to participate in the FCC's A-CAM program. During 2018, the FCC expanded the A-CAM program for companies whose 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. The LICT companies accepted the additional A-CAM funding, and the cumulative funding was received in the third quarter of 2018. Accordingly, in the third quarter of 2018, LICT recorded additional A-CAM revenues of $5.1 million, of which $2.9 million relates to the year ended December 31, 2017, $1.5 million relates the six months ended June 30, 2018, and $0.7 million relates to the three months ended September 30, 2018.

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 September 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	$1,866	$1,927
Interstate access	15,668	10,372
Intrastate access	2,228	2,277
Other regulated	283	305
Total regulated revenues	20,045	14,881
Non-regulated revenues:		
Broadband and related services	8,221	7,682
Video (including cable modem)	3,306	2,943
Other	750	1,118
Total non-regulated revenues	12,277	11,743
Total revenues	32,322	26,624
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	12,073	11,996
General and administrative costs at operations	2,994	2,970
Corporate office expenses	1,162	868
Depreciation and amortization	4,786	4,080
Total operating costs and expenses	21,015	19,914
Operating profit	$11,307	$6,710

In the third quarter of 2018, our non-regulated revenues grew by $0.5 million to $12.3 million, a 4.5% increase as compared to 2017. Of note, 2018's non-regulated revenues included a prior year billing adjustment the reduced revenues by $0.3 million. Excluding that adjustment, 2019 revenues were $12.6 million or a 7.4% increase from 2018. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($0.7 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. Absent the billing adjustment, non-regulated revenues currently represent 39% of our revenue streams and are expected to continue to grow. Regulated revenues at $20.0 million were $5.2 million above the $14.9 million recorded in 2017, an increase of 34.7%. As described above, regulated revenues in the third quarter of 2018 included $5.1 million of additional A-CAM revenues, of which $4.4 million related to prior periods ($2.9 million related to 2017 and $1.5 million related to the first half of 2018). Combining the non-regulated and regulated revenues and adjusting for the prior period additional A-CAM revenues and the billing adjustment, total revenues in 2018 increased by $1.8 million or 6.6%, to $28.4 million compared to $26.6 million in 2017.

Total operating costs and expenses were $21.0 million in 2018, an increase of $1.1 million as compared to 2017. The costs of revenue increased by $77 thousand, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations increased by $24 thousand. Corporate expenses increased by $294 thousand due to incremental incentive compensation accrual in 2018. Depreciation and amortization increased by $706 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 $4.6 million from $6.7 million in 2017 to $11.3 million in 2018. Adjusting for the prior period additional A-CAM revenues and the billing adjustment, operating profit increased by $0.7 million to $7.4 million.

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	$17,255	$11,658
Dividends from equity affiliates	412	725
EBITDA before corporate expenses	17,667	12,383
Corporate expenses	(1,162)	(868)
EBITDA	$16,505	$11,515
Reconciliation to net income:		
EBITDA	$16,505	$11,515
Less dividends from equity affiliates	(412)	(725)
Depreciation and amortization	(4,786)	(4,080)
Investment income	205	48
Interest expense	(340)	(515)
Equity in income of affiliates	890	676
Other income (expense) – Other	(1,276)	(1,127)
Income tax	(2,880)	(2,282)
Net income	$7,906	$3,510

Other Income (Expense)

In the third quarter of 2018, investment income increased slightly by $157 thousand due primarily from an extraordinary distribution from the Company's investment in Aureon, additional Co-Bank patronage capital distribution, and interest on the Company's investment in U.S. Treasuries.

Interest expense decreased by $175 thousand, primarily due to lower borrowing amounts.

Equity in earnings of affiliates in the third quarter of 2018 increase by $214 thousand from the 2017 period. This represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership which were $736 thousand in 2018 and $639 thousand in 2017 and our continuing interest in previously wholly owned ILEC in New York State, $154 in 218 and $37 in 2017.

During the third quarter of 2018, the company record in other income(expense) $1.3 million of charitable contributions under the Company's shareholder and other employee designated programs. $1.2 million was recorded in the third quarter of 2017.

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 26.7% and 39.4%, 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 35% in 2017 to 21% in 2018.

Net Income

Net income for the third quarter of 2018 was $7.9 million, or $391.37 per basic share and $390.69 per diluted share. In 2017, net income was $3.5 million, or $167.50 per basic share and $167.21 diluted share. The breakdown of the earnings per share components is as follows:

	Third Quarter 2018		Third Quarter 2017	
	Basic	Diluted	Basic	Diluted
On-going operations	$294.14	$293.63	$202.81	$202.46
Prior period items	143.76	143.51	--	--
Charitable contributions	(45.53)	(46.45)	(35.31)	(35.25)
Reported earnings per share	$391.37	$390.69	$167.50	$167.21

Nine Months ended September 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	$5,564	$5,773
Interstate access	36,670	31,262
Intrastate access	6,834	6,823
Other regulated	865	964
Total regulated revenues	49,933	44,822
Non-regulated revenues:		
Broadband and related services	24,198	22,600
Video (including cable modem)	9,823	8,646
Other	3,023	3,196
Total non-regulated revenues	37,044	34,442
Total revenues	86,977	79,264
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	36,267	35,681
General and administrative costs at operations	8,715	8,734
Corporate office expenses	3,085	2,927
Depreciation and amortization	14,663	13,201
Total operating costs and expenses	62,730	60,543
Operating profit	$24,247	$18,721

In the nine months of 2018, our non-regulated revenues grew by $2.6 million to $37.0 million, a 7.6% increase as compared to 2017. Of note, 2018's non-regulated revenues included a prior year billing adjustment the reduced revenues by $0.3 million. Excluding that adjustment, 2018 revenues were $37.4 million or an 8.5% increase from 2017. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($2.1 million) and Kansas ($0.5 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 43% of our revenue streams and are expected to continue to grow. Regulated revenues at $49.9 million were $5.1 million above the $44.8 million recorded in 2017, an increase of 11.4%. As described above, regulated revenues in the first three quarters of 2018 included $5.1 million of additional A-CAM revenues, of which $2.9 million related to 2017. Combining the non-regulated and regulated revenues and adjusting for the prior period additional A-CAM revenues and the billing adjustment, total revenues in 2018 increased by $5.2 million or 6.6%, to $84.5 million compared to $79.3 million in 2017.

Total operating costs and expenses were $62.7 million in 2018, an increase of $2.2 million as compared to 2017. The costs of revenue increased by $586 thousand, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations decreased by $19 thousand. Corporate expenses increased by $158 thousand due increased incentive compensation accrual in 2018. Depreciation and amortization increased by $1.5 million 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 $5.5 million from $18.7 million in 2017 to $24.2 million in 2018. Adjusting for the prior period additional A-CAM revenues and the billing adjustment, operating profit increased by $3.0 million to $21.8 million.

EBITDA

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

	2018	2017
EBITDA from:		
Operating units	$41,995	$34,849
Dividends from equity affiliates	1,475	1,375
EBITDA before corporate expenses	43,470	36,224
Corporate expenses	(3,085)	(2,927)
EBITDA	$40,385	$37,297
Reconciliation to net income:		
EBITDA	$40,385	$33,297
Less dividends from equity affiliates	(1,475)	(1,375)
Depreciation and amortization	(14,663)	(13,201)
Investment income	547	374
Interest expense	(1,276)	(1,646)
Equity in income of affiliates	1,912	1,750
Other income (expense) – Other	2,054	1,127
Income tax	(7,284)	(7,133)
Net income	$20,200	$10,939

Other Income (Expense)

In the first nine months of 2018, investment income increased by $173 thousand due to increased distributions from the Company’s interest in Aureon, lower Co-Bank patronage capital distributions, and interest on the Companies investments in U.S. Treasuries.

Interest expense decreased by $370 thousand, primarily due to lower borrowing amounts.

Equity in earnings of affiliates in the first three quarters of 2018 increased by $162 thousand from the 2017 period. This predominantly represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership which were $1.7 million in 2018 and 2017 and our continuing interest in previously wholly owned ILEC in New York State, $154 in 218 and $71 in 2017.

Included in other income(expenses) was a $3.3 million gain from the partial proceeds from the sale of assets by a minority position owned by the Company. Also included in other income(expense) is $1.3 million of charitable contributions under the Company's shareholder and other employee designated programs. $1.2 million was recorded in 2017.

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 26.5% 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 35% in 2017 to 21% in 2018.

Net Income

Net income for 2018 was $20.2 million, or $994.63 per basic share and $992.85 per diluted share. These amounts include the gain on the sale from the minority position. In 2017, net income was $10.9 million, or $518.69 per basic share and $516.86 diluted share. The breakdown of the earnings per share components is as follows:

	First Three Quarters 2018		First Three Quarters 2017	
	Basic	**Diluted**	**Basic**	**Diluted**
On-going operations	$830.56	$829.08	$553.78	$551.82
Prior period items	90.26	90.09	--	--
Gain on sale of minority position	120.09	119.88	--	--
Charitable contributions	(46.28)	(46.20)	(35.09)	(34.96)
Reported earnings per share	$994.63	$992.85	$518.69	$516.86

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 expires in December 2019. Brighton owns substantially all of the subsidiaries within the LICT consolidated group of companies. As of September 30, 2018, there were no amounts outstanding under the $50 million facility. The average balance outstanding under the facility was $6.3 million at an average interest rate of 4.30%. 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, 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	$2,425	$15,551	$--	$--
Operating leases	2,452	575	868	678	331
Interest on long-term debt	2,140	1,213	927	--	--
Total contractual cash obligations and commitments	$22,568	$4,213	$17,346	$678	$331

At September 30, 2018, total debt was $18.0 million, a decrease of $13.0 million from December 31, 2017, which represented fixed interest rate debt outstanding at 6.0% interest. 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 September 30, 2018, the ratio of total debt to total EBITDA, on a trailing twelve-month basis, was 0.36 to 1.

As of September 30, 2018, LICT had current assets of $28.5 million and current liabilities of $15.7 million resulting in working capital of $12.8 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. Funding of the incremental A-CAM revenues through September 30, 2018, including the true-up back to January 1, 2017, was received 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 "Giving Back", which is Charitable Contribution Program for all registered shareholders. Under this program, in 2018 the company will make a donation of $100 per share on behalf of the shareholder to a designated 501 (c) (3) organization. During 2016 and 2017, the Company conducted a similar Shareholder Designated Contribution Program, also at $100 per share. The 2018 program was completed in the third quarter of 2018, and charitable contributions for the shareholder and employee designated programs, also completed in the third quarter of 2018, were $1.3 million.

Cash at September 30, 2018 was $12.8 million, as compared to $7.1 million at December 31, 2017. In the first nine months of 2018, net cash provided by operations of $35.4 million was primarily used to invest in plant and equipment ($15.4 million), repay debt ($2.4 million), and purchase treasury shares ($5.3 million).

In the first nine months, capital expenditures were $15.4 million in 2018 as compared to $14.2 million in 2017.

On December 22, 2017, the United States Congress passed the Tax Cuts and Jobs Act of 2017 ("Act"). Two aspects of this Act significantly impacted LICT: (a) reducing the Federal corporate income tax rate to 21%, from LICT's 35% 2017 rate, (b) 100% expensing of capital expenditures through 2023. As previously reported, the change in the Federal tax rate reduced our liability for deferred income taxes at the end of 2017 by $7.1 million and lowered our overall effective tax rate for the first nine months of 2018 to 26.7%, from 39.5% in the of 2017 period.

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 $1.5 million in the first nine months of 2018 compared to $1.4 million in the prior year period. The Partnership projects that the Company's share of the total 2018 distribution will be $2.3 million.

The Company's Board of Directors has authorized the purchase of up to 7,600 shares of the Company's common stock. Through September 30, 2018, 6,576 shares have been purchased at an average investment of $4,829 per share, including 410 shares purchased in 2018 at an average investment of $13,000 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.

On October 19, 2018, ICTC Group Inc. was acquired by a third party for $65.25 per share. ICTC Group Inc. was spun-off from the Company in 2010. The Company's shareholders received thirteen shares of ICTC for each share of the Company held. Accordingly, the Company shareholders who retained their shares would have received $848.25 (13 shares times $65.25) per share from the transaction. Therefore, a holder of 100 shares of LICT received 1,300 shares of ICTC which translated into $84,825 at closing.