LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended June 30, 2019

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

	June 30, 2019	December 31, 2018	June 30, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	$13,653	$7,732	$7,876
Receivables, less allowances of $192, $211 and $297, respectively	7,819	8,701	8,548
Note Receivable (a)	2,850	2,850	--
Material and supplies	4,851	4,735	4,769
Prepaid expenses and other current assets	2,728	23,107	2,440
Total current assets	31,901	47,125	23,633
Property, plant and equipment:			
Land	1,055	955	955
Buildings and improvements	17,840	17,666	17,651
Machinery and equipment	367,176	357,435	348,003
	386,071	376,056	366,609
Accumulated depreciation	(289,356)	(281,281)	(274,833)
	96,715	94,775	91,776
Goodwill	48,764	48,764	48,764
Other intangibles	7,518	2,611	2,619
Investments in and advances to affiliated entities	5,837	5,795	5,072
Other assets	6,858	6,022	9,180
Total assets	$197,593	$205,092	$181,044

(a) *On July 3, 2019 Brick Skirt Holding Company, LLC. repaid the $2.85 millon note to LICT upon refinancing.*

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2019	December 31, 2018	June 30, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$3,190	$5,074	$2,179
Accrued interest payable	110	182	105
Accrued liabilities	7,934	8,216	8,585
Current maturities of long-term debt	3,057	2,275	1,276
Total current liabilities	14,291	15,747	12,145
Long-term debt	12,620	28,701	19,000
Deferred income taxes	16,546	16,603	14,610
Other liabilities	4,844	3,672	3,571
Total liabilities	48,301	64,723	49,326
Shareholders' equity			
Common stock, $0.0001 par value- 10,000,000 shares authorized; 26,831, 19,544, 19,931 issued; 20,304 outstanding	--	--	--
Additional paid-in capital	17,751	17,645	17,537
Retained earnings	172,827	158,012	144,028
Treasury stock, 7,059, 6,672 and 6,526 shares, at cost	(41,286)	(35,288)	(29,847)
Total shareholders' equity	149,292	140,369	131,718
Total liabilities and shareholders' equity	$197,593	$205,092	$181,044

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,	
	2019	**2018**	**2019**	**2018**
Revenues	$31,355	$27,487	$59,960	$54,655
Costs and expenses:				
Cost of revenue, excluding depreciation	12,838	12,261	25,612	24,194
General and administrative costs at operations	3,144	2,922	6,060	5,721
Corporate office expenses	1,127	941	2,149	1,923
Depreciation and amortization	4,569	4,813	9,547	9,877
Total Costs and Expenses	21,678	20,937	43,368	41,715
Operating profit	9,677	6,550	16,592	12,940
Other income (expense):				
Investment income	68	59	242	342
Interest expense	(386)	(443)	(818)	(936)
Equity in earnings of affiliated companies	664	677	1,167	1,022
Other	3	3,311	2,496	3,330
	349	3,604	3,087	3,758
Income before income taxes	10,026	10,154	19,679	16,698
Provision for income taxes	(2,315)	(2,681)	(4,864)	(4,404)
Net income	$7,711	$7,473	$14,815	$12,294
Weighted average shares outstanding:				
Basic average shares outstanding	19,581	20,279	19,672	20,368
Diluted average shares outstanding	19,616	20,329	19,707	20,405
Actual shares outstanding	19,544	20,304	19,544	20,304
Earnings per share: **				
Basic	$393.80	$368.52	$753.10	$603.59
Diluted	$393.10	$367.61	$751.76	$602.49

*** Please note that operating results include cash received from the partial proceeds from the sale of assets by a minority position owned by the Company, $2.5 million in the first quarter of 2019 and $3.3 million in the second quarter of 2018. 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 first half of 2019 is approximately $93 per share, while 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, 2018	19,931	$--	$17,645	$158,012	($35,288)	$140,369
Net income for the period	--	--	--	14,815	--	14,815
Restricted Stock Awards	--	--	106	--	--	106
Purchase of Treasury Stock	(387)	--	--	--	(5,998)	(5,998)
Balance at June 30, 2019	19,544	$--	$17,751	172,827	($41,286)	$149,292

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,	
	2019	**2018**
Operating activities:		
Net Income	$14,815	$12,294
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,547	9,921
Equity in earnings of affiliated companies	(1,167)	(1,022)
Distributions received from affiliated companies	1,125	1,063
Deferred income tax provision	(56)	(105)
Restricted and Other Stock Award Expense	106	67
Gain from sale of assets of minority owned entity	(2,493)	(3,314)
Changes in operating assets and liabilities:		
Accounts receivables	882	189
Income tax payable/ receivable	1,760	3,799
Accounts payable and accrued liabilities	(1,956)	(1,236)
Other Operating assets and liabilities	(1,883)	(905)
Other	77	(24)
Net cash provided by operating activities	20,757	20,727
Investing activities:		
Capital expenditures	(11,558)	(10,137)
Proceeds from sale of assets from minority owned entity	2,493	3,314
Return of deposit for FCC Spectrum Auction	20,000	--
Acquisition of spectrum licenses	(4,916)	--
Other	442	525
Net cash provided by (used in) investing activities	6,461	(6,298)
Financing activities:		
Repayments of long term debt	(2,299)	(2,425)
Borrowings (repayments) related to lines of credit, net	(13,000)	(8,300)
Purchase of treasury stock	(5,998)	(2,882)
Net cash used in financing activities	(21,297)	(13,607)
Net increase in cash and cash equivalents	5,921	822
Cash and cash equivalents at beginning of period	7,732	7,054
Cash and cash equivalents at end of period	$13,653	$7,876

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 there to included in the Company's annual report for the year ended December 31, 2018. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. 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, 2019, December 31, 2018 and June 30, 2018, the net investment in the partnership was $4.4 million, $4.4 million, and $4.0 million, respectively. The Company's share of income, included in Equity in Earnings of Affiliated Companies was $1.2 million and $1.0 million for the six months ended June 30, 2019 and 2018, respectively. Cash distributions from RSA # 2 for the six months ending June 30, 2019 and 2018 were $1.1 million, respectively.

	June 30, 2019	June 30, 2018
OPERATING RESULTS		
Three Months Ended		
Revenues	$6,528	$6,378
Gross Margin	4,207	4,074
Net profit	2,432	2,439
Six Months Ended		
Revenues	$12,690	$12,163
Gross Margin	8,038	7,721
Net Profit	4,560	4,514
BALANCE SHEET		
Current assets	$6,866	$5,425
Property, plant and equipment and Other – net	15,463	11,531
	$22,329	$16,956
Current liabilities	$2,191	$1,430
Long-term liabilities	5,783	2,016
Partners' equity	14,355	13,510
	$22,329	$16,956

C. Indebtedness

The Company has a $50 million line of credit agreement with CoBank, ACB ("CoBank"), which expires in March 2020 with an interest rate of LIBOR plus 2.5%. The average balance of notes payable outstanding was $7.4 million in the first six months of 2019; the highest amount outstanding was $13.0 million in 2019; and the average interest rate was 5.13% in 2019.

Long-term debt at June 30, 2019, December 31, 2018, and June 30, 2018 consists of (all interest rates are at June 30, 2019) (in thousands):

	June 30, 2019	December 31, 2018	June 30, 2018
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%	8,030	10,329	10,329
Revolving credit facility from CoBank, ACB at Brighton Communications Corporation, secured by the assets of certain operations and holding companies at a variable rate of 4.99%	--	13,000	2,300
	15,677	30,976	20,276
Current maturities	(3,057)	(2,275)	(1,276)
	$12,620	$28,701	$19,000

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, 2019, December 31, 2018 and June 30, 2018, assets of $13.7 million, $7.7 million and $7.9 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 $2.5 million in the first quarter of 2019 and $3.3 million in the second quarter of 2018, from a final non-recurring contingent gain, stemming from the sale of an investment by a minority interest owned by the Company.

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MANAGEMENT'S DISCUSSION OF OPERATIONS

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

PAST AND FUTURE - GIVING BACK

Since the inception of LICT's shareholder designated charitable contribution program in 2016, shareholders have designated contributions of approximately $4.5 million to over 133 501(c)(3) initiatives. In addition the shareholder program, LICT also has an employee designated charitable contribution program. Since its inception in 2016 employees have designated contributions of approximately $110 thousand to over 150 501(c)(3) initiatives. Most recently, the Board of Directors in July 2019 announced the continuation of this program for all registered shareholders during the fourth quarter of 2019. As has been done with prior contributions, all registered shareholders will be eligible to designate 501(c) 3 charities to which the company will make a donation of $100 per share on behalf of the shareholder. If all shares are registered to the shareholders' names at the record date, the total contribution would be approximately $2.0 million.

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 per the table below, LICT provided service to 73,776 revenue generating units, as of June 30, 2019 which is an increase of 946 units from the prior year total of 72,830. High speed data lines increased by over 6% or 1,995 to 34,885, from 32,890 in 2018. Voice lines and video subsribers decreased by 708 and 341 respectively. Operations are deployed through 4,762 miles of fiber optic cable, 11,838 miles of copper cable, and 708 miles of coaxial cable and 47 towers.

	June 30, 2019	**June 30, 2018**
High Speed Data	34,885	32,890
Voice Lines	33,499	34,207
Video Subscriber	5,392	5,733
Total Revenue Generating Units	73,776	72,830
Fiber Miles	4,762	4,532
Copper Miles	11,838	12,042
Coaxial Miles	708	695
Towers	47	47

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 video (OTT);
- 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 provides 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 frequently, 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. As a result, the first three months of 2018 do not include any of the incremental ACAM funding, while 2019 does include the funding.

On February 25, 2019, the FCC again expanded the A-CAM program for those companies who support was initially capped and offered LICT companies $4.6 million in annual A-CAM funding, which is retroactive to January 1, 2019. With this latest increase, these capped companies have now been offered the fully funded support contemplated by the initial A-CAM program. In addition, the FCC extended the A-CAM annual support payments, for all A-CAM, capped and uncapped, for two additional years to December 31, 2028. Acceptance of these additions requires the companies to provide a threshold of speed to a greater number of locations. The Company’s subsidiaries have accepted this A-CAM expansion program and are expecting to receive the year to date incremental funding in the second quarter of 2019, when the revenue will be recognized in the statement of operations.

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, 2019 compared to 2018

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

	2019	2018
Regulated revenues:		
Local access	$1,785	$1,852
Interstate access	13,251	10,447
Intrastate access	2,233	2,304
Other regulated	287	285
Total regulated revenues	17,555	14,888
Non-regulated revenues:		
Broadband and related services	8,911	8,129
Video (including cable modem)	3,752	3,331
Other	1,13	1,139
Total non-regulated revenues	13,799	12,599
Total revenues	31,355	27,487
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	12,828	12,261
General and administrative costs at operations	3,154	2,922
Corporate office expenses	1,127	941
Depreciation and amortization	4,569	4,813
Total operating costs and expenses	21,678	20,937
Operating profit	$9,677	$6,550

In the 2nd Quarter of 2019, our regulated revenues at $17.6 million were $2.7 million above the $14.9 million recorded in 2018, an increase of 17.9%. This increase was driven by the expansion of the A-CAM program, the company received $2.3 million in year to date incremental funding in the second quarter of 2019. At the same time, Non-regulated revenues grew by $1.2 million to $13.8 million, a 9.5% increase as compared to 2018. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($0.6 million), New Mexico ($0.2 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 44% of our revenue streams and are expected to continue to grow. Combining the non-regulated and regulated revenues, total revenues in 2019 increased by $3.9 million or 14.1%, to $31.4 million compared to $27.5 million in 2018.

Total operating costs and expenses were $21.7 million in 2019, an increase of $0.7 million as compared to $21.0 million in 2018. The costs of revenue increased by $0.6 thousand, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations increased by $222 thousand. Corporate expenses increased by $186. Depreciation and amortization decreased by $244 thousand from 2019 to 2018, due to reduced capital expenditures in early 2019. As a result of the above, operating profit in 2019 increased by $3.1 million from $6.6 million in 2018 to $9.6 million in 2019.

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:

	2019	2018
EBITDA from:		
Operating units	$15,373	$12,304
Dividends from equity affiliates	562	525
EBITDA before corporate expenses	15,935	12,829
Corporate expenses	(1,127)	(941)
EBITDA	$14,808	$11,888
Reconciliation to net income:		
EBITDA	$14,808	$11,888
Less dividends from equity affiliates	(562)	(525)
Depreciation and amortization	(4,569)	(4,813)
Investment income	68	59
Interest expense	(386)	(443)
Equity in income of affiliates	664	677
Other income (expense) – Other	3	3,311
Income tax	(2,315)	(2,681)
Net income	$7,711	$7,473

<u>Other Income (Expense)</u>

In the second quarter of 2019, investment income increased slightly by $9 thousand due to interest on the Company's investment in U.S. Treasuries.

Interest expense decreased by $57 thousand, primarily due to lower borrowing amounts at higher interest rates.

Equity in earnings of affiliates in the second quarter of 2019 was essentially the same as 2018 and represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

Included in 2018 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 2019 and 2018 represent effective tax rates of 23.1% and 26.4%, respectively.

Net Income

Net income for the second quarter of 2019 was $7.7 million, or $391.71 per basic share and $368.52 per diluted share. The 2018 second quarter net income totals $7.5 million which includes a $3.3 million gain on the sale from the minority position. Excluding this gain, basic earnings per share in 2018 was $248.34 and diluted earnings per share was $247.73.

Six Months ended June 30, 2019 compared to 2018

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

	2019	2018
Regulated revenues:		
Local access	$3,562	$3,698
Interstate access	24,128	21,002
Intrastate access	4,469	4,606
Other regulated	595	582
Total regulated revenues	32,804	29,888
Non-regulated revenues:		
Broadband and related services	17,593	15,977
Video (including cable modem)	7,325	6,517
Other	2,283	2,273
Total non-regulated revenues	27,156	24,767
Total revenues	59,960	54,655
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	25,612	24,194
General and administrative costs at operations	6,060	5,721
Corporate office expenses	2,149	1,923
Depreciation and amortization	9,547	9,877
Total operating costs and expenses	43,368	41,715
Operating profit	$16,592	$12,940

In the first half of 2019, Regulated revenues increased by $2.9 million, or 9.8%, to $32.8 million, from $29.9 million in 2018. This increase was driven by the expansion of the A-CAM program; the company received $2.3 million in year to date incremental funding in the second quarter of 2019. The non-regulated revenues grew by $2.4 million to $27.2 million, a 9.6% increase as compared to 2018. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($1.3 million), New Mexico ($0.4 million) and Kansas ($0.3 million) operations. These increased sales came primarily from additional broadband circuits outside of our regulated service territory and additional cable modem revenue. Non-regulated revenues currently represent 45% of our revenue streams and are expected to continue to grow. Combining the non-regulated and regulated revenues, total revenues in 2019 increased by $5.3 million, or 9.7%, to $60 million compared to $54.7 million in 2018.

Total operating costs and expenses were $43.4 million in 2019, an increase of $1.7 million as compared to 2018. The costs of revenue increased by $1.4 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations increased by $339 thousand. Corporate expenses decreased by $226 thousand due to lower compensation expense in 2019. Depreciation and amortization decreased by $330 thousand from 2019 to 2018. As a result of the above, operating profit in 2019 increased by $3.7 million from $12.9 million in 2018 to $16.6 million in 2019.

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:

	2019	2018
EBITDA from:		
Operating units	$28,288	$24,740
Dividends from equity affiliates	1,125	1,063
EBITDA before corporate expenses	29,413	25,803
Corporate expenses	(2,149)	(1,923)
EBITDA	$27,264	$23,880
Reconciliation to net income:		
EBITDA	$27,264	$23,880
Less dividends from equity affiliates	(1,125)	(1,063)
Depreciation and amortization	(9,547)	(9,877)
Investment income	242	342
Interest expense	(817)	(936)
Equity in income of affiliates	1,167	1,022
Other income (expense) – Other	2,496	3,330
Income tax	(4,864)	(4,404)
Net income	$14,815	$12,294

Other Income (Expense)

In the first half of 2019, investment income decreased slightly by $100 thousand due to a decrease in interest on the Companies investments in U.S. Treasuries.

Interest expense decreased by $118 thousand, primarily due to lower borrowing amounts at higher interest rates.

Equity in earnings of affiliates in the first half of 2019 increased by $145 thousand and represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

Included in other income was a $2.5 million and 3.3 million for 2019 and 2018, related to the gain from the partial proceeds from the sale of assets by a minority position owned by the Company. This was two payments on one transaction that was settled in the second quarter of 2018 and the first quarter of 2019.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2019 and 2018 represent effective tax rates of 24.7% and 26.4%, 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 2019 was $14.8 million, or $753.10 per basic share and $751.76 per diluted share. These amounts include the gain on the sale from the minority position. Excluding this gain, basic earnings per share was $659.87 and diluted earnings per share was $658.70. The 2018 Net income was $12.3 million, or $600.21 per basic share and $600.81 per diluted share. and $349.56 respectively. As with 2019, when we exclude the gain, basic earningers per share was $481.70 and diluted earning per share was $481.14.

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. This facility expires in March 2020. Brighton owns substantially all of the subsidiaries within the LICT consolidated group of companies. As of June 30, 2019, the $50 million facility in not being utilized. The average balance outstanding under the facility was $7.4 million at an average interest rate of 5.13%. 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, 2019 for the periods shown;, 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	$15,677	$3,057	$12,620	$--	$--
Notes payable	-	--		-	--
Operating leases	2,537	651	1,454	273	158
Interest on long-term debt	1,647	948	699	--	--
Total contractual cash obligations and commitments	$19,861	$4,656	$14,7738	$273	$158

At June 30, 2019, total debt was $15.7 million, a decrease of $16.3 million from December 31, 2018, all of which is at a fixed interest rate, averaging 6.0%. 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 0.30 to 1.

As of June 30, 2019, LICT had current assets of $31.9 million and current liabilities of $14.3 million resulting in working capital of $23.9 million compared to $12.1 million at December 31, 2018.

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 received 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. Funds from the 2017 increase, $2.9 million, and the first nine months of 2018, $2.2 million, were both received and recorded in the third quarter of 2018. With the expanded A-CAM program, LICT's 2018 A-CAM revenues will be $26.6 million (excluding the true-up for 2017).

On February 25, 2019, the FCC expanded the A-CAM program for those companies who support was initially capped and offered LICT companies $4.6 million in additional annual A-CAM funding, which was retroactive to January 1, 2019. With this increase, these capped companies have now been offered the fully funded support contemplated by the initial A-CAM program. In addition, the FCC extended the A-CAM annual support payments, for two additional years to December 31, 2028. Acceptance of these additions requires the companies to provide increased broadband speed to a greater number of locations. The Company's subsidiaries have accepted this A-CAM expansion program and received the year to date incremental funding of $2.3 million in the second quarter of 2019.

On April 30, 2018, the Company announced it was continuing its shareholder "Giving Back", which is a Charitable Contribution Program for all registered shareholders. Under this program, in 2018 the company made a donation of $100 per share on behalf of the shareholder to a designated 501 (c) (3) organization. The 2018 program was completed in the third quarter of 2018, and charitable contributions for the shareholder and employee designated programs were $1.3 million. In December of 2018, the LICT Board of Directors approved an additional contribution, also at $100 per share and the contributions totaled $1.2 million and were distributed to the charities in the first quarter of 2019.

Cash at June 30, 2019 was $13.7 million, as compared to $7.7 million at December 31, 2018. In the first six months of 2019, net cash provided by operations of $20.7 million was primarily used to invest in plant and equipment ($11.6 million), repay debt ($15.3 million), the acquisition of spectrum licenses as part of FCC auction 101 and 102 ($4.9 million) and purchase treasury shares ($6.0 million).

In the first six months, capital expenditures were $11.5 million in 2019 as compared to $10.1 million in 2018.

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 2019 compared to $1.1 million in the prior year period. The Partnership projects that the Company's share of the total 2019 distribution will be $2.5 million.

The Company's Board of Directors has authorized the purchase of up to 7,600 shares of the Company's common stock. Through June 30, 2019, 7,166 shares have been purchased at an average investment of $5,686 per share, including 387 shares purchased in 2019 at an average investment of $15,498 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.