LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended September 30, 2019

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)

	September 30, 2019	December 31, 2018	September 30, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	$18,112	$7,732	$12,813
Receivables, less allowances of $216, $211, and $304, respectively	5,553	8,701	8,167
Note receivable	--	2,850	
Material and supplies	5,149	4,735	5,064
Prepaid expenses and other current assets	2,709	23,107	2,482
Total current assets	31,523	47,125	28,526
Property, plant and equipment:			
Land	1,055	955	955
Buildings and improvements	17,879	17,666	17,550
Machinery and equipment	373,065	357,434	352,634
	391,999	376,055	371,139
Accumulated depreciation	(292,998)	(281,282)	(279,097)
	99,001	94,775	92,042
Goodwill	48,764	48,764	48,764
Other intangibles	7,514	2,611	2,615
Investments in and advances to affiliated entities	5,982	5,795	5,549
Other assets	7,102	6,022	9,043
Total assets	$199,886	$205,092	$186,539

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2019	December 31, 2018	September 30, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$2,765	$5,074	$2,344
Accrued interest payable	54	182	55
Accrued liabilities	9,327	8,216	10,876
Current maturities of long-term debt	3,057	2,275	2,425
Total current liabilities	15,203	15,747	15,700
Long-term debt	12,620	28,701	15,551
Deferred income taxes	16,560	16,603	14,600
Other liabilities	5,091	3,672	3,461
Total liabilities	49,474	64,723	49,312
Shareholders' equity			
Common stock, $0.0001 par value- 10,000,000 shares authorized; 26,831 issued; 19,320, 19,931 and 20,134 outstanding	--	--	--
Additional paid-in capital	17,805	17,645	17,591
Retained earnings	177,931	158,012	151,934
Treasury stock, 7,510, 6,899 and 6,696 shares, at cost	(45,324)	(35,288)	(32,298)
Total shareholders' equity	150,412	140,369	137,227
Total liabilities and shareholders’	$199,886	$205,092	$186,539

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,	
	2019	**2018**	**2019**	**2018**
Revenues	$28,455	$32,322	$88,415	$86,977
Costs and expenses:				
Cost of revenue, excluding depreciation	13,191	12,073	38,803	36,267
General and administrative costs at operations	3,033	2,994	9,093	8,715
Corporate office expenses	1,086	1,162	3,235	3,085
Depreciation and amortization	4,729	4,786	14,276	14,663
Total Costs and Expenses	22,039	21,015	65,407	62,730
Operating profit	6,416	11,307	23,008	24,247
Other income (expense):				
Investment income	67	205	309	547
Interest expense	(290)	(340)	(1,108)	(1,276)
Equity in earnings of affiliated companies	807	890	1,974	1,912
Other	7	(1,276)	2,503	2,054
	591	(521)	3,678	3,237
Income before income taxes	7,007	10,786	26,686	27,484
Provision for income taxes	(1,903)	(2,880)	(6,767)	(7,284)
Net income	$5,104	$7,906	$19,919	$20,200
Weighted average shares outstanding:				
Basic average shares outstanding	19,388	20,201	19,576	20,309
Diluted average shares outstanding	19,423	20,236	19,611	20,345
Actual shares outstanding	19,320	20,509	19,320	20,509
Earnings per share: *				
Basic	$263.26	$391.37	$1,017.52	$994.63
Diluted	$262.78	$390.69	$1,015.71	$992.85

** 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, 2018	19,931	$--	$17,645	$158,012	($35,288)	$140,369
Net income for the period	--	--	--	19,919	--	19,919
Restricted Stock Awards	--	--	160	--	--	160
Purchase of Treasury Stock	(611)	--	--	--	(10,036)	(10,036)
Balance at September 30, 2019	$19,320	$--	$17,805	$177,931	($45,324)	$150.412

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,	
	2019	**2018**
Operating activities:		
Net Income	$19,919	$20,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,276	14,728
Equity in earnings of affiliated companies	(1,974)	(1,912)
Distributions received from affiliated companies	1,787	1,475
Deferred income tax provision	(47)	(125)
Restricted and other stock award expense	160	121
Gain from sale of assets of minority owned entity	--	(3,314)
Changes in operating assets and liabilities:		
Accounts receivables	3,148	570
Note receivable	2,850	--
Income tax payable/ receivable	1,482	5,098
Accounts payable and accrued liabilities	(3,446)	(119)
Other Operating assets and liabilities	129	(1,308)
Other	538	(24)
Net cash provided by operating activities	38,821	35,390
Investing activities:		
Capital expenditures	(18,587)	(15,373)
Proceeds from sale of assets from minority owned entity	--	3,314
Return of deposit for Auction 102	20,000	--
Acquisition of spectrum licenses	(4,916)	--
Other	397	786
Net cash used in investing activities	(3,106)	(11,273)
Financing activities:		
Repayments of long term debt	(2,299)	(2,425)
Repayments related to lines of credit, net	(13,000)	(10,600)
Purchase of treasury stock	(10,036)	(5,333)
Other	--	--
Net cash used in financing activities	(25,335)	(18,358)
Net increase in cash and cash equivalents	10,380	5,759
Cash and cash equivalents at beginning of period	7,732	7,054
Cash and cash equivalents at end of period	$18,112	$12,813

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, 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 nine-month periods ended September 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 September 30, 2019, December 31, 2018 and September 30, 2018, the net investment in the partnership was $4.5 million, $4.4 million, and $4.3 million, respectively. The Company's share of income, included in Equity in Earnings of Affiliated Companies for the nine months ending September 30, 2019 and 2018 was $2.0 million and $1.9 million, respectively. Cash distributions from RSA # 2 for the nine months ending September 30, 2019 and 2018 were $1.8 million and $1.5 million, respectively.

	September 30,	
	2019	**2018**
OPERATING RESULTS		
Three Months Ended		
Revenues	$7,424	$6,989
Gross Margin	4,918	4,565
Net profit	3,054	2,921
Nine Months Ended		
Revenues	$20,114	$19,152
Gross Margin	12,956	12,286
Net Profit	7,615	7,435

	September 30	
	2019	2018
BALANCE SHEET		
Current assets	$7,271	$6,669
Property, plant and equipment and Other – net	15,544	11,615
	$22,815	$18,284
Current liabilities	$2,321	$1,471
Long-term liabilities	5,735	2,036
Partners' equity	14,759	14,777
	$21,815	$18,284

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 $3.9 million in the first nine months of 2019; the highest amount outstanding was $13.0 million in 2019; and the average interest rate was 5.06% in 2019.

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

	September 30, 2019	December 31, 2018	September 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	--	13,000	--
	15,677	31,976	17,976
Current maturities	(3,057)	(2,275)	(2,425)
	12,620	$28,701	$15,551

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, 2019, December 31, 2018 and September 30, 2018, assets of $13.1 million, $3.6 million and $7.8 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 $2.5 million in the first quarter of 2019 and $3.3 million in the second quarter of 2018 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, 2019, LICT provided service to 71,315 revenue generating units consisting of 32,785 high speed data lines, 33,215 voice lines, and 5,315 video subscribers. Comparable amounts at December 31, 2018 were 33,659, 33,747, and 5,516 respectively. Operations are deployed through 4,803 miles of fiber optic cable, 11,337 miles of copper cable, and 716 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.

On February 25, 2019, the FCC expanded the A-CAM program for those companies whose 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 May 2, 2019, the FCC further expanded the A-CAM program. This FCC order is available to companies that are still receiving legacy support to fund the deployment of voice and broadband services in their service territories. LICT has three companies that have elected to participate and will receive $1.3 million in annual A-CAM funding, which is retroactive to January 1, 2019. The Company's subsidiaries received the year to date incremental funding in the 3rd quarter of 2019.

The Company is in the process of reviewing certain of the company's regulated revenue estimates related to computation under cost recovery mechanisms. This review is currently in process. The Company has estimated, and accrued at September 30, 2019, a $2.4 million reduction of regulated revenue and EBITDA based on preliminary findings in the review. Approximately $2.0 million of this reduction is related to periods prior to the 3rd quarter of 2019.

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, 2019 compared to 2018

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

	2019	2018
Regulated revenues:		
Local access	$1,777	$1,866
Interstate access	11,346	15,668
Intrastate access	2,226	2,228
Other regulated	(935)	283
Total regulated revenues	14,415	20,045
Non-regulated revenues:		
Broadband and related services	9,033	8,221
Video (including cable modem)	3,830	3,306
Other	1,178	750
Total non-regulated revenues	14,041	12,277
Total revenues	28,455	32,322
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	13,191	12,073
General and administrative costs at operations	3,033	2,994
Corporate office expenses	1,086	1,162
Depreciation and amortization	4,729	4,786
Total operating costs and expenses	22,039	21,015
Operating profit	$6,416	$11,307

In the third quarter of 2019, our non-regulated revenues grew by $1.8 million to $14.0 million, a 14.4% increase as compared to 2018. Of note, 2018's non-regulated revenues included a billing adjustment that reduced revenues by $0.3 million. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($0.7 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 48% of our revenue streams and are expected to continue to grow.

As described above, regulated revenues for the 3rd quarter of 2019 includes additional A-CAM revenues of $1.3 million, retroactive to January 1, 2019 and a potential NECA adjustment to periods prior to the 3rd quarter of 2019 reducing revenues by $2.0 million. Regulated revenues for 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, the NECA adjustment and the 2018 billing adjustment, total revenues in 2019 increased by $1.3 million or 4.5%, to $29.6 million compared to $28.3 million in 2018.

Total operating costs and expenses were $22.0 million in 2019, an increase of $1.0 million as compared to 2018. The costs of revenue increased by $1.1 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations were comparable to 2018. Corporate expenses were comparable to 2018. Depreciation and amortization were comparable to 2018.

Adjusting for the prior period additional A-CAM revenues, the NECA adjustment and the 2018 billing adjustment, operating profit in 2019 increased by $0.3 million or 3.4%, to $7.6 million compared to $7.3 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:

	2019	2018
EBITDA from:		
Operating units	$12,231	$17,255
Dividends from equity affiliates	737	412
EBITDA before corporate expenses	12,968	17,667
Corporate expenses	(1,086)	(1,162)
EBITDA	$11,882	$16,505
Reconciliation to net income:		
EBITDA	$11,882	$16,505
Less dividends from equity affiliates	(737)	(412)
Depreciation and amortization	(4,729)	(4,786)
Investment income	67	205
Interest expense	(290)	(340)
Equity in income of affiliates	807	890
Other income (expense) – Other	7	(1,276)
Income tax	(1,903)	(2,880)
Net income	$5,104	$7,906

Other Income (Expense)

In the third quarter of 2019, investment income decreased slightly by $138 thousand due primarily to a 2018 extraordinary distribution from the Company's investment in Aureon.

Interest expense decreased by $50 thousand, primarily due to lower borrowing amounts.

Equity in earnings of affiliates in the third quarter of 2019 decreased by $83 thousand from the 2018 period. This represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership and our continuing interest in previously wholly owned ILEC in New York State.

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 27.2% and 26.7%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income for the third quarter of 2019 was $5.1 million, or $263.26 per basic share and $262.78 per diluted share. In 2018, net income was $7.9 million, or $391,37 per basic share and $390.69 diluted share. The breakdown of the earnings per share components is as follows:

	Third Quarter 2019		Third Quarter 2018	
	Basic	**Diluted**	**Basic**	**Diluted**
On-going operations	$306.58	$306.02	$294.14	$293.63
Prior period items	(43.32)	(43.24)	142.76	143.51
Charitable contributions	--	--	(45.53)	(46.45)
Reported earnings per share	$263.26	$262.78	$391.37	$390.69

Nine Months ended September 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	$5,339	$5,564
Interstate access	35,494	36,670
Intrastate access	6,695	6,834
Other regulated	(311)	865
Total regulated revenues	47,217	49,933
Non-regulated revenues:		
Broadband and related services	26,626	24,198
Video (including cable modem)	11,155	9,823
Other	3,417	3,023
Total non-regulated revenues	41,198	37,044
Total revenues	88,415	86,977
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	38,803	36,267
General and administrative costs at operations	9,093	8,715
Corporate office expenses	3,235	3,085
Depreciation and amortization	14,276	14,663
Total operating costs and expenses	65,407	62,730
Operating profit	$23,008	$24,247

In the nine months of 2019, our non-regulated revenues grew by $3.9 million to $41.2 million, a 10.3% increase as compared to 2018. Of note, 2018's non-regulated revenues included a billing adjustment that reduced revenues by $0.3 million. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($2.0 million), New Mexico ($0.6 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 46% of our revenue streams and are expected to continue to grow.

As described above, a potential NECA adjustment to periods prior to 2019 reducing revenues by $1.3 million. Regulated revenues for 2018 included $2.9 million of additional A-CAM revenues related to periods prior to 2018.

Combining the non-regulated and regulated revenues and adjusting for the prior period additional A-CAM revenues, the NECA adjustment and the 2018 billing adjustment, total revenues in 2019 increased by $5.2 million or 6.2%, to $89.7 million compared to $84.5 million in 2018.

Total operating costs and expenses were $65.4 million in 2019, an increase of $2.7 million as compared to 2018. The costs of revenue increased by $2.5 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations increased $378 thousand. Corporate expenses increased 150 thousand. Depreciation and amortization decreased $387 thousand.

Adjusting for the prior period additional A-CAM revenues, the NECA adjustment and the 2018 billing adjustment, operating profit in 2019 increased by $2.6 million or 11.8%, to $24.3 million compared to $21.7 million in 2018.

EBITDA

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

	2019	2018
EBITDA from:		
Operating units	$40,519	$41,995
Dividends from equity affiliates	1,862	1,475
EBITDA before corporate expenses	42,381	43,470
Corporate expenses	(3,235)	(3,085)
EBITDA	$39,146	$40,385
Reconciliation to net income:		
EBITDA	$39,146	$40,385
Less dividends from equity affiliates	(1,862)	(1,475)
Depreciation and amortization	(14,276)	(14,663)
Investment income	309	547
Interest expense	(1,108)	(1,276)
Equity in income of affiliates	1,974	1,912
Other income (expense) – Other	2,503	2,054
Income tax	(6,767)	(7,284)
Net income	$19,919	$20,200

Other Income (Expense)

In the first nine months of 2019, investment income decreased by $238 thousand due primarily from a 2018 extraordinary distribution from the Company's investment in Aureon, and lower Co-Bank patronage capital distributions, and interest on the Companies investments in U.S. Treasuries.

Interest expense decreased by $168 thousand, primarily due to lower borrowing amounts.

Equity in earnings of affiliates in the first three quarters of 2019 increased are comparable to 2018. This predominantly represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership and our continuing interest in previously wholly owned ILEC in New York State.

Included in 2018 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.

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 25.4% and 26.5%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income for 2019 was $19.9 million, or $1,017.52 per basic share and $1,015.71 per diluted share. These amounts include the gain on the sale from the minority position. In 2018, net income was $20.2 million, or $994.63 per basic share and $992.85 diluted share. The breakdown of the earnings per share components is as follows:

	First Three Quarters 2019		First Three Quarters 2018	
	Basic	**Diluted**	**Basic**	**Diluted**
On-going operations	$1,066.56	$1,064.65	$830.56	$829.08
Prior period items	(49.04)	(48.94)	90.26	90.09
Gain on sale of minority position	--	--	120.09	119.88
Charitable contributions	--	--	(46.28)	(46.20)
Reported earnings per share	$1,017.52	$1,015.71	$994.63	$992.85

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, 2019, there were no amounts outstanding under the $50 million facility. The average balance outstanding under the facility was $3.9 million at an average interest rate of 5.06%. 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, 2019 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	$15,677	$3,057	$12,620	$--	$--
Operating leases	2,240	675	901	537	128
Interest on long-term debt	1,401	880	521	--	--
Total contractual cash obligations and commitments	$19,318	$4,612	$14,042	$537	$128

At September 30, 2019, total debt was $15.7 million, a decrease of $15.3 million from December 31, 2018, 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, 2019, the ratio of total debt to total EBITDA, on a trailing twelve-month basis, was 0.31 to 1.

As of September 30, 2019, LICT had current assets of $31.5 million and current liabilities of $15.2 million resulting in working capital of $16.3 million compared to $31.4 million at December 31, 2018.

<u>Sources and Uses of Cash</u>

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 $23.8 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 May 2, 2019, the FCC further expanded the A-CAM program. This FCC order is available to companies that are still receiving legacy support to fund the deployment of voice and broadband services in their service territories. LICT has three companies that have elected to participate and will receive $1.3 million in annual A-CAM funding, which is retroactive to January 1, 2019. The Company's subsidiaries received the year to date incremental funding in the 3rd quarter of 2019.

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, 2019 was $18.1 million, as compared to $7.7 million at December 31, 2018. In the first nine months of 2019, net cash provided by operations of $38.8 million was primarily used to invest in plant and equipment ($18.6 million), repay debt ($2.3 million), and purchase treasury shares ($10.0 million).

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 $1.8 million in the first nine months of 2019 compared to $1.5 million in the prior year period. The Partnership projects that the Company's share of the total 2019 distribution will be $2.3 million.

The Company's Board of Directors has authorized the purchase of up to 9,050 shares of the Company's common stock. Through September 30, 2019, 7,390 shares have been purchased at an average investment of $6,060 per share, including 611 shares purchased in 2019 at an average investment of $16,426 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.