LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended June 30, 2016

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

	June 30, 2016	December31, 2015	June 30, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	$11,611	$14,748	$18,102
Receivables, less allowances of $307, $255 and $381, respectively	6,356	6,870	6,235
Material and supplies	3,520	3,156	3,582
Prepaid expenses and other current assets	1,867	1,888	1,614
Total current assets	23,354	26,662	29,533
Property, plant and equipment:			
Land	942	938	936
Buildings and improvements	17,244	17,171	16,791
Machinery and equipment	312,764	307,284	300,885
	330,950	325,393	318,612
Accumulated depreciation	(244,730)	(236,671)	(231,231)
	86,220	88,722	87,381
Goodwill	48,764	48,764	48,764
Other intangibles	1,978	1,952	2,016
Investments in and advances to affiliated entities	4,683	4,603	5,328
Other assets	20,424	9,678	9,740
Total assets	$185,423	$180,381	$182,762

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2016	December 31, 2015	June 30, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$2,638	$2,530	$2,193
Accrued interest payable	130	245	288
Accrued liabilities	5,440	4,091	6,331
Current maturities of long-term debt	9,429	12,610	4,234
Total current liabilities	17,637	19,476	13,046
Long-term debt	37,103	32,236	44,953
Deferred income taxes	20,488	20,370	17,914
Other liabilities	4,623	4,852	4,975
Total liabilities	79,851	76,934	80,888
Commitments and contingencies			
Shareholders' equity			
Common stock, $0.0001 par value-10,000,000 shares authorized; 26,637.50, issued; 21,511.37, 21,739.37 and 22,156.37 outstanding	--	--	--
Additional paid-in capital	16,981	16,831	16,637
Retained earnings	105,398	102,072	98,443
Treasury stock, 5,126.13, 4,987.13 and 4,450.13 shares, at cost	(16,807)	(15,456)	(13,206)
Total shareholders' equity	105,572	103,447	101,874
Total liabilities and shareholders' equity	$185,423	$180,381	$182,762

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,	
	2016	**2015**	**2016**	**2015**
Revenues	$22,509	$21,675	$44,037	$42,783
Costs and expenses:				
Cost of revenue, excluding depreciation	11,007	9,944	21,945	19,704
General and administrative costs at operations	2,817	2,838	5,576	5,626
Corporate office expenses	953	790	1,911	1,506
Depreciation and amortization	4,440	4,488	8,882	8,961
Total Costs and Expenses	19,217	18,060	38,314	35,797
Operating profit	3,292	3,615	5,723	6,986
Other income (expense):				
Investment income	48	36	390	279
Interest expense	(648)	(707)	(1,324)	(1,498)
Equity in earnings of affiliated companies	402	377	829	811
Other	3	(19)	6	22
	(195)	(275)	(99)	(386)
Income before income taxes	3,097	3,040	5,624	6,600
Provision for income taxes	(1,271)	(1,223)	(2,298)	(2,518)
Net income from continuing operations	1,826	2,117	3,326	4,082
Net income from discontinued operations	--	117	--	117
Net income attributable to LICT	$1,826	$2,234	$3,326	$4,199
Weighted average shares outstanding				
Basic average shares outstanding	21,011	22,113	21,499	22,113
Diluted average shares outstanding	21,577	22,202	21,598	22,202
Basic earnings per share:				
Net income from continuing operations	$85.14	$95.74	$154.68	$184.23
Net income from discontinuing operations	--	5.29	--	5.28
Net Income	$85.14	$100.03	$154.68	$189.51
Diluted earnings per share:				
Net income from continuing operations	84.61	95.35	153.98	183.85
Net income from discontinuing operations	--	5.27	--	5.27
Net Income	$84.61	$100.62	$153.98	$189.12

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIAIRES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(In thousands, except share data)

	Shares of Common Stock Out-standing	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2015	21,739.37	$--	$16,831	$102,072	$(15,456)	$103,447
Net income for the period	--	--	--	3,326	--	3,326
Purchase of Treasury Stock	(262.00)	--	--	--	(1,351)	(1,351)
Restricted Stock Awards	34	--	150	--	--	150
Balance at June 30, 2016	21,511.37	$--	$16,981	$105,398	$(16,807)	$105,572

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, 2016	Six Months Ended June 30, 2015
Operating activities:		
Net Income from continuing operations	$3,326	$4,082
Net Income from discontinued operations	--	117
Net Income	3,326	4,199
Adjustments to reconcile net income to net cash provided by operating activities:		--
Depreciation and amortization	8,939	8,970
Equity in earnings of affiliated companies	(829)	(811)
Distributions received from affiliated companies	750	625
Deferred income tax provision	85	(397)
Restricted Stock Award Expense	150	--
Changes in operating assets and liabilities:		
Accounts receivables	514	707
Income tax payable/ receivable	1,155	2,640
Accounts payable and accrued liabilities	192	(1,150)
Other Operating assets and liabilities	(583)	(75)
Other	(52)	(88)
Net cash provided by operating activities	13,647	14,620
Investing activities:		
Capital expenditures	(6,344)	(8,912)
Other	(11,167)	19,072
Net cash provided by (used in) investing activities	(17,511)	10,160
Financing activities:		
Repayments of long term debt	(2,314)	(3,270)
Repayments of lines of credit, net	4,000	(5,936)
Purchase of treasury stock	(1,351)	(1,052)
Repayment of loan from affiliate for FCC Deposit	--	(15,000)
Other	392	425
Net cash provided by (used in) financing activities	727	(24,833)
Net decrease in cash and cash equivalents	(3,137)	(53)
Cash and cash equivalents at beginning of period	14,748	18,155
Cash and cash equivalents at end of period	$11,611	$18,102

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 a majority voting control, but has the ability to significantly influence management decisions, are accounted for in accordance with the equity method. The Company accounts for the following affiliated companies on the equity basis of accounting: a cellular partnership in California (25% owned) and telecommunications operations in New York, California and Utah (5% to 20% owned).

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all of the information and footnotes required for complete financial statements. These consolidated financial statements and footnotes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2015. 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, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. 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, 2016, December 31, 2015 and June 30, 2015, the net investment in the partnership was $3.797, $3.741 and $4.486 million, respectively. The Company's share of income, included in Equity in Earnings of Affiliated Companies was $431 and $780 thousand for the six months ended June 30, 2016 and 2015, respectively. Cash distributions from RSA # 2 for the six months ending June 30, 2016 and 2015 were $375 and $625 thousand, respectively.

	June 30,	
	2016	**2015**
OPERATING RESULTS		
Three Months Ended		
Revenues	$5,896	$5,957
Gross Margin	3,136	3,408
Net profit	1,539	1,946
Six Months Ended		
Revenue	$11,252	$11,605
Gross Margin	6,196	7,393
Net Profit	3,687	3,597
BALANCE SHEET		
Current assets	$5,059	$5,620
Property, plant and equipment and Other – net	10,576	9,983
	$15,635	$16,787

Current liabilities	$1,278	$1,840
Long-term liabilities	2,182	2,258
Partners' equity	12,175	12,688
	$15,635	$16,787

C. Indebtedness

The Company has a $30.0 million line of credit agreement with CoBank, ACB ("CoBank"), expiring in December, 2017 with an interest rate of LIBOR plus 2.5%. The average balance of notes payable outstanding was $12.8 million in 2016; the highest amount outstanding was $16.0 million in 2016; and the average interest rate was 3.0% in 2016.

Long-term debt at June 30, 2016, December 31, 2015, and June 30, 2015 consists of (all interest rates are at June 30, 2016) (in thousands):

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Rural Electrification Administration ("REA") and Rural Telephone Bank ('RTB") notes payable due quarterly through 2027 at fixed interest rates ranging from 2.1% to 7.2%. (5.1% weighted average)	$1,744	$3,472	$4,811
Bank Credit facilities utilized by certain telephone and telephone holding companies due through 2017, at variable interest rate of 2.75%	3,112	3,092	2,675
Unsecured notes issued in connection with acquisitions at fixed interest rates or either $6.0% or 8.0%	23,676	24,282	25,123
Revolving credit facility from CoBank, ACB at Brighton Communications Corporation, secured by the assets of certain operations and holding companies at variable interest rate of 3.75%	18,000	14,000	16,505
Other	--	--	73
	46,532	44,846	49,187
Current maturities	(9,429)	(12,610)	(4,234)
	$37,103	$32,236	$43,953

D. Litigation

LICT 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, 2016, December 31, 2015 and June 30, 2015, assets of $7.2 million, $10.7 million and $14.3 million, which are classified as cash and cash equivalents, are invested in United States Treasury money market funds for which affiliates of the Company's Chairman and Chief Executive Officer serve as investment manager to the respective funds.

MANAGEMENT'S DISCUSSION OF OPERATIONS

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

RESULTS OF OPERATIONS

Overview

LICT provides an array of communications services, primarily in rural areas but with continuing expansions in adjacent and other urban communities, which are detailed in the Telecommunications Operations section of this report. Our history is principally as an operator of rural telephone service (known as a Rural Local Exchange Carrier, or "RLEC"), with our principal operations in rural parts of New Mexico, Utah, Michigan, Iowa, Kansas, California, Wisconsin, and New Hampshire. As the technologies have evolved, so have our services.

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") but increasingly through fiber optic technologies
- Video services, including cable television and Internet Protocol Television ("IPTV")
- Access for other telephone service providers to the intra-state and interstate networks
- Private line connections between, for example, two branches of a business
- Public access, including, for example, 911 service
- Managed Hosting, where we host public branch exchanges for customers
- Wireless broadband service, primarily for very remote customers

The federal and state governments have long had a policy of encouraging and financially supporting telephone and other communication services in rural areas. 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 significant government subsidies. Such subsidies are derived from numerous federal and state support mechanisms, which are generally referred to as Universal Service Funds ("USF"). Such programs evolve constantly to take into consideration new technologies, and to encourage RLECs to invest in those technologies and provide new services to their customers. In addition, the rates we can charge for some of our services are often regulated by various 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. However, we believe that the various governmental agencies will continue to encourage and support the provision of modern communications services for people living in high-cost, rural areas. People are communicating more, and in more ways, than ever before – and this includes the rural population as well as urban dwellers. We believe that this expansion of communications creates an opportunity for us to successfully develop the Company's business, as rural customers demand additional and better communications infrastructure.

The advent and spreading acceptance of high speed internet service has been a major growth area for our company. In particular, the number of our DSL and fiber optic broadband subscribers has grown dramatically in recent years. This has been offset, in part, by reductions in the number of traditional telephone lines we serve, as consumers continue to replace traditional telephone connections with new technologies. We expect such shifts in consumer behavior to persist 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 telephone connections.

On March 30, 2016, the FCC, which regulates RLECs at the federal level, issued an Order that significantly modifies the rules controlling our regulated operations. RLECs will have a new option to voluntarily elect a regulatory mechanism referred to as A-CAM ("Alternative Connect America Cost Model") which will replace the existing High Cost Loop Support ("HCLS") and Interstate Common Line Support ("ICLS") mechanisms. A-CAM is expected to be implemented on January 1, 2017, and will provide a fixed annual support amount for a ten-year period, which should provide LICT significantly greater regulated revenue stability. However, not all of LICT's affiliated RLECs are eligible to adopt A-CAM. If a company does not adopt A-CAM, ICLS will be eliminated and replaced with a new Connect America Fund - Broadband Loop Support ("CAF-BLS") mechanism. CAF-BLS includes a series of new caps and limitations for operating expense, capital expenditures, overall support and support in areas served by unsubsidized competitors, but adds support for data-only broadband. Both A-CAM adopters and CAF-BLS companies will have specific build-out requirements, and the Company is currently assessing the potential impact of these requirements on its RLEC operations. Since the FCC's new rules have just recently been released, and significant provisions still remain to be finalized, we cannot predict precisely how the new USF mechanisms may affect our companies.

On December 24, 2014, we closed the sale of our DFT Communications Corporation ("DFT") subsidiary, which holds the telephone companies serving Dunkirk/Fredonia and Casadaga, New York, as well as a Competitive Local Exchange Carrier, or "CLEC" operation. LICT retains a $3.25 note receivable and a 20% equity interest in the acquirer of DFT.

Second quarter ended June 30, 2016 compared to 2015

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

	2016	**2015**
Regulated revenues:		
Local access	$1,969	$ 2,012
Interstate access	8,036	8,126
Intrastate access	1,794	1,954
Other regulated	345	337
Total regulated revenues	12,144	12,429
Non-regulated revenues:		
Broadband and related services	6,797	6,132
Video (including cable modem)	2,947	2,217
Other	621	897
Total non-regulated revenues	10,365	9,246
Total revenues	22,509	21,675
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	11,007	9,944
General and administrative costs at operations	2,817	2,838

Depreciation and amortization	4,440	4,488
Total operating costs and expenses	18,264	17,270
Operating profit before corporate expenses	4,245	4,405
Corporate office expenses:		
Allocated corporate office expenses	373	309
Un-allocated corporate office expenses	580	481
Total Corporate office expenses	953	790
Operating profit	$3,292	$3,615

Our non-regulated revenues grew by $1.1 million to $10.4 million, a 12.1% increase as compared to 2015. Non-regulated revenues, revenues from broadband services and other non-regulated services increased, specifically from our Utah ($0.4 million), Iowa ($0.3 million), and New Mexico ($0.2 million) operations, primarily due to the sale of additional broadband circuits outside of our regulated service territory ($0.7 million), additional video revenue and the sale of communications equipment. Non-regulated revenues have grown to currently represent over 46% of our revenue streams and are expected to continue to this growth. Regulated revenues decreased by $285 thousand or 2.3% to $12.1 million. Interstate access revenue decreased $90 thousand in 2015 due to lower rate bases at certain of our operations, lower industry rates of return and other regulatory factors. Intrastate revenues decreased by $160 thousand due to a statewide revenue adjustment by the state of New Mexico and lower minutes of use. Combining the non-regulated and regulated revenues, total revenues in 2016 increased by $834 thousand or 3.8%, to $22.5 million compared to $21.7 million in 2015.

Total costs and expenses were $19.2 million in 2016, an increase of $1.2 million compared to 2015. Costs of revenue increased $1.1 million primarily due to increased costs from the growing internet and cable television operations. General and administrative costs incurred at the operations decreased by $21 thousand. Depreciation and amortization decreased by $48 thousand from 2015 to 2016, due to decreased capital expenditures in 2014 and 2015, and as assets become fully depreciated. Corporate expenses from $790 thousand in 2015 and $953 thousand in 2016 are due to additional personnel at the corporate office. As a result of the above, operating profit in 2015 decreased by $323 thousand from $3.6 million in 2015 to $3.3 million in 2016.

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:

	2016	2015
EBITDA from:		
Operating units	$8,685	$ 8,893
Dividends from equity affiliates	375	450
EBITDA before corporate expenses	9,060	9,343
Corporate expenses	(953)	(790)
EBITDA	$8,107	$8,553
Reconciliation to net income:		
EBITDA	$8,107	$ 8,553
Less dividends from equity affiliates	(375)	(450)
Depreciation and amortization	(4,440)	(4,488)
Investment income	48	36
Interest expense	(648)	(707)
Equity in income of affiliates	402	377
Other gains	3	19
Income tax	(1,271)	(1,223)
Net income for continuing operations	$1,826	$2,117

Other Income (Expense)

In 2016, investment income increased by $12 thousand due to increased U.S. Treasury rates.

Interest expense decreased by $59 thousand in 2016 primarily due to reductions in debt outstanding offset by higher interest rates.

Equity in earnings of affiliates in 2016 was approximately equal to 2015 and represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2016 and 2015, represent effective tax rates of 41.0% and 40.2%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income from continuing operations for the second quarter of 2016 was $1.8 million, or $85.14 per basic share and $84.61 per diluted share, compared to a net income of $2.1 million, or $95.74 per basic share and $95.35 per diluted share in 2015.

Six Months ended June 30, 2016 compared to 2015

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

	2016	2015
Regulated revenues:		
Local access	$3,907	$ 3,986
Interstate access	15,784	16,213
Intrastate access	3,412	3,916
Other regulated	679	718
Total regulated revenues	23,782	24,833
Non-regulated revenues:		
Broadband and related services	13,231	11,913
Video (including cable modem)	5,132	4,312
Other	1,892	1,725
Total non-regulated revenues	20,255	17,950
Total revenues	44,037	42,783
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	21,945	19,704
General and administrative costs at operations	5,576	5,626
Depreciation and amortization	8,882	8,961
Total operating costs and expenses	36,403	34,291
Operating profit before corporate expenses	7,634	8,492
Corporate office expenses:		
Allocated corporate office expenses	747	589
Un-allocated corporate office expenses	1,164	917
Total Corporate office expenses	1,911	1,506
Operating profit	$5,723	$ 6,986

Our non-regulated revenues grew by $2.3 million to $20.3 million, a 12.8% increase as compared to 2015. Non-regulated revenues, revenues from broadband services and other non-regulated services increased, specifically from our Utah ($0.8 million), Iowa ($0.6 million), New Mexico ($0.3 million), and California

($0.3 million) operations, primarily due to the sale of additional broadband circuits outside of our regulated service territory ($1.3 million), additional video revenue and the sale of communications equipment. Non-regulated revenues have grown to currently represent over 46% of our revenue streams and are expected to continue to this growth. Regulated revenues decreased by $1.1 million or 4.2% to $23.8 million. Interstate access revenue decreased $429 thousand in 2015 due to lower rate bases at certain of our operations, lower industry rates of return and other regulatory factors. Intrastate revenues decreased by $504 thousand due to a statewide revenue adjustment by the state of New Mexico and lower minutes of use. Combining the non-regulated and regulated revenues, total revenues in 2016 increased by $1.3 million or 2.9%, to $44 million compared to $42.7 million in 2015.

Total costs and expenses were $38.3 million in 2016, an increase of $2.5 million compared to 2015. Costs of revenue increased $2.2 million primarily due to increased costs from the growing internet and cable television operations. General and administrative costs incurred at the operations decreased by $50 thousand. Depreciation and amortization decreased by $79 thousand from 2015 to 2016, due to decreased capital expenditures in 2014 and 2015, and as assets become fully depreciated. Corporate expenses from $1.9 million in 2015 and $1.5 million in 2016 are due to additional personnel at the corporate office. As a result of the above, operating profit in 2015 decreased by $1.3 million from $7 million in 2015 to $5.7 million in 2016.

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:

	2016	2015
EBITDA from:		
Operating units	$16,516	$ 17,452
Dividends from equity affiliates	750	1,075
EBITDA before corporate expenses	17,266	18,528
Corporate expenses	(1,911)	(1,506)
EBITDA	$15,355	$ 17,022
Reconciliation to net income:		
EBITDA	$15,355	$ 17,022
Less dividends from equity affiliates	(750)	(1,075)
Depreciation and amortization	(8,882)	(8,961)
Investment income	390	279
Interest expense	(1,324)	(1,498)
Equity in income of affiliates	829	811
Other gains	6	22
Income tax	(2,298)	(2,518)
Net income for continuing operations	$3,326	$ 4,082

Other Income (Expense)

In 2016, investment income increased by $111 thousand due to increased patronage capital distributions from the line of credit at Brighton Communications Corporation offset by lower distribution from the Company's investment in Iowa Network Services, Inc and increased U.S. Treasury rule.

Interest expense decreased by $174 thousand in 2016 primarily due to reductions in debt outstanding offset by higher interest rates.

Equity in earnings of affiliates in 2016 was approximately equal to 2015 and represents earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2016 and 2015, represent effective tax rates of 40.9% and 38.2%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes.

Net Income

Net income from continuing operations for the first six months of 2016 was $3.3 million, or $154.68 per basic share and $153.98 per diluted share compared to a net income of $4.1 million, or $184.23 per basic share and $183.85 per diluted share in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

On December 30, 2014, Brighton Communications Corporation ("Brighton"), a wholly-owned subsidiary of LICT, closed on a $30 million revolving credit facility from CoBank, ACB. The facility, which expires in December 2017, replaced line of credit facilities previously arranged by LICT. Brighton owns substantially all of the subsidiaries within the LICT consolidated group of companies. As of June 30, 2016, there was $18 million outstanding under this facility, classified as long-term debt. The average balance outstanding under the facility was $12.7 million at an average interest rate of 3.0%. 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, 2016 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	$46,532	$5,018	$31,057	$10,058	$399
Interest on long-term debt	6,917	3,038	2,792	1,014	73
Total contractual cash obligations and commitments	$53,449	$ 8,056	$33,849	$11,072	$472

At June 30, 2016, total debt was $46.5 million, a decrease of $1.7 million from December 31, 2015. At June 30, 2016, there was $25.4 million of fixed interest rate debt outstanding, averaging 6.6%, and $21.1 million of variable interest rate debt, averaging 3.6%. The debt at fixed interest rates includes $23.7 million of subordinated notes at interest rates averaging 6.9% issued to sellers as part of acquisitions. The long-term debt facilities at certain subsidiaries are secured by substantially all of such subsidiaries' assets, while at other subsidiaries it is secured by the common stock of such subsidiaries. In addition, the debt facilities contain certain covenants restricting distributions to LICT.

LICT has a manageable degree of financial leverage. As of June 30, 2016, the ratio of total debt to total EBITDA, on a trailing twelve month basis, was 1.6 to 1. Certain subsidiaries have higher debt to EBITDA ratios.

As of June 30, 2016, LICT had current assets of $23.4 million and current liabilities of $17.6 million resulting in working capital of $5.7 million compared to $7.2 million at December 31, 2015.

Sources and Uses of Cash

Cash at June 30, 2015, was $11.6 million, as compared to $14.7 million at December 31, 2015. In the six months of 2016, net cash provided by operations of $13.6 million was primarily used to invest in plant and equipment, repay debt and purchase treasury shares.

In the six months, capital expenditures were $6.3 million in 2016 as compared to $8.9 million in 2015, of which 48% and 50% were spent at the RLECs and, for our cost based companies, will be included in their rate bases for rate setting purposes.

In 2008 through the present, the Company has taken bonus depreciation deductions for eligible property additions as allowed by the Internal Revenue Service of 50%, starting January 1, 2008, 100%, starting September 9, 2010 through December 31, 2011 and 50% starting January 1, 2012. 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 six months of 2015 compared to $750 thousand in the current period. The increase in 2015 distributions is partially due to a lease/leaseback transaction executed by the Partnership, which was did not recur in 2016.

The Company's Board of Directors has authorized the purchase of up to 5,800 shares of the Company's common stock. Through June 30, 2016, 5,126 shares have been purchased at an average investment of $3,277 per share, including 262 shares purchased in 2016 at an average investment of $5,156 per share.

On June 2, 2016, the Company announced the adoption of its Shareholder Designated Charitable Contribution program for all registered shareholders. Each registered shareholder (and only registered shareholders) will be eligible to designate a charity to which the company will make a donation of $100 per share on behalf of the shareholder. On the record date of the offering, LICT had 10,018 registered shares that were eligible to participate in this Program. Accordingly, if all of the eligible 10,018 shares owned by our registered shareholders participate in the program, LICT's charitable contribution would total $1.0 million, and would be disbursed in the third quarter of 2016.

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.