LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended March 31, 2020

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)

	March 31, 2020	December 31, 2019	March 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$88,823	$8,415	$8,725
Receivables, less allowances of $229, $220, and $205, respectively	7,278	8,012	7,781
Note receivable	--	--	2,850
Material and supplies	4,940	4,448	4,957
Prepaid expenses and other current assets	3,538	22,858	19,192
Total current assets	104,579	43,733	43,505
Property, plant and equipment:			
Land	1,056	1,056	955
Buildings and improvements	17,594	17,575	17,347
Machinery and equipment	372,831	368,885	357,719
	391,481	387,516	376,021
Accumulated depreciation	(291,868	(288,524)	(282,760)
	99,613	98,992	93,261
Goodwill	48,048	48,048	47,910
Other intangibles	7,678	7,510	2,715
Investments in and advances to affiliated entities	3,370	7,687	5,736
Other assets	8,152	8,439	7,164
Assets held for sale	--	--	2,653
Total assets	$271,440	$214,409	$202,944

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2020	December 31, 2019	March 31, 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$3,109	$3,813	$2,420
Accrued interest payable	85	130	154
Accrued liabilities	10,951	5,447	8,770
Current maturities of long-term debt	2,557	3,878	2,276
Total current liabilities	16,702	13,268	13,620
Long-term debt	61,800	20,800	22,400
Deferred income taxes	20,156	20,186	15,683
Other liabilities	5,729	5,810	5,169
Liabilities held for sale	--	--	1,943
Total liabilities	104,387	60,064	58,815
Shareholders' equity			
Common stock, $0.0001 par value- 10,000,000 shares authorized; 226,831 issued; 19,008, 19,188 and 19,704 outstanding	--	--	--
Additional paid-in capital	17,859	17,859	17,698
Retained earnings	200,022	184,211	165,115
Treasury stock, 7,822, 7,642 and 6,899 shares, at cost	(50,828)	(47,725)	(38,684)
Total shareholders' equity	167,053	154,345	144,129
Total liabilities and shareholders'	$271,440	$214,409	$202,944

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 March 31, 2020	Three Months Ended March 31, 2019
Revenues	$30,046	$28,183
Costs and expenses:		
Cost of revenue, excluding depreciation	13,198	12,568
General and administrative costs at operations	3,099	2,829
Corporate office expenses	950	1,022
Depreciation and amortization	4,340	4,878
Total Costs and Expenses	21,587	21,297
Operating profit	8,459	6,886
Other income (expense):		
Investment income	113	174
Interest expense	(302)	(432)
Equity in earnings of affiliated companies	53	503
Other	13,042	2,493
	12,906	2,738
Income from continuing operations before taxes	21,356	9,624
Provision for income taxes	(5,554)	(2,549)
Income from continuing operations	15,811	7,075
Income from discontinued operations before taxes	--	39
Provision for income taxes	--	(10)
Income from discontinuied operations	--	
Net income	$15,811	$7,075
Weighted average shares outstanding:		
Basic average shares outstanding	19,101	19,765
Diluted average shares outstanding	19,101	19,800
Actual shares outstanding	19,008	19,704
Earnings per share from continuing operations:		
Basic	$828	$357
Diluted	828	358
Earnings per share from discontinued operations:		
Basic	--	1.47
Diluted	--	1.46

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, 2019	19,188	$--	$17,859	$184,211	($47,725)	$154,345
Net income for the period	--	--	--	15,811	--	15,811
Restricted Stock Awards	--	--	--	--	--	--
Purchase of Treasury Stock	(80)	--	--	--	(3,103)	(3,103)
Balance at March 31, 2020	19,108	$--	$17,859	$200,022	($50,828)	$167,053

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2020	**2019**
Operating activities:		
Net income	$15,811	$7,104
Net income from discontinued operations	--	(1)
Net Income from continuing operations	15,811	7,103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,182	4870
Equity in earnings of affiliated companies	(53)	(503)
Distributions received from affiliated companies	542	563
Deferred income tax provision	(31)	(88)
Restricted and other stock award expense	--	53
Gain from sale of investments	(13,071)	--
Gain from sale of investment of minority owned entity	--	(2,493)
Changes in operating assets and liabilities:		
Accounts receivables	734	744
Income tax payable/ receivable	5,406	2,732
Accounts payable and accrued liabilities	(749)	(3,827)
Other operating assets and liabilities	(702)	(291)
Net cash provided by operating activities from continuing operations	12,069	8,863
Net cash provided by operating activities from discontinued operations	--	56
Net cash provided by operating activities	12,069	8,919
Investing activities:		
Capital expenditures	(4,996)	(4,772)
Acquisition of spectrum licenses	(170)	--
Proceeds from sale of investment	16,900	--
Proceeds from sale of investment from minority owned entity	--	2,493
Return of FCC deposit	20,000	--
Other	29	4,282
Net cash provided by investing activities from continuing operations	31,763	2,003
Net cash used in investing activities from discontinued operations	--	(63)
	31,763	1,941

Financing activities:		
Repayments of long term debt	(1,321)	(300)
Borrowing (repayment) on lines of credit, net	41,000	(6,000)
Purchase of treasury stock	(3,103)	(3,396)
Net cash provided by (used in) financing activities	36,576	(9,696)
Net increase in cash and cash equivalents	80,408	1,164
Cash and cash equivalents at beginning of period	8,415	7,732
Cash and cash equivalents at end of period	88,823	8,896
Less: Cash and cash equivalents of discontinued operations at end of period	--	171
Cash and cash equivalents at end of period	$88,823	$8,725

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, 2019. 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 month period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. 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.

Recently Adopted Accounting Pronouncements

ASU No. 2016-02 — The Company adopted ASU 2016-02, *Leases (Topic 842) (the New Lease Standard)* as of January 1, 2019. The New Lease Standard requires lessees to recognize a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. Accounting for finance leases is substantially unchanged.

The Company adopted the New Lease Standard using the comparative reporting at adoption method. Under this method, financial results reported in periods prior to January 1, 2019 are unchanged. We also elected the package of practical expedients which among other things, does not require reassessment of lease classification. We have implemented processes and a lease accounting system to ensure adequate internal controls are in place to assess our contracts and enable proper accounting and reporting of financial information.

B. Investments in Affiliated Companies

A subsidiary of LICT owned a 25% partnership interest in a cellular communications provider in Northern California, California RSA #2 ("RSA #2"). The investment was sold January 2, 2020. As of December 31, 2019 and March 31, 2019, the net investment in the partnership was $4.4 million. The Company's share of income, included in Equity in Earnings of Affiliated Companies was $473 thousand for the three months ended March 31, 2019. Cash distributions from RSA #2 for the three months ending March 31, 2020 and 2019 were $542 thousand and $563 thousand, respectively.

OPERATING RESULTS	**Three Months Ended March 31, 2019**
Revenues	$6,180
Gross Margin	3,605
Net profit	1,892
BALANCE SHEET	
Current assets	$6,109
Property, plant and equipment and Other – net	11,662
	$17,771
Current liabilities	$1,411
Long-term liabilities	2,056
Partners' equity	12,634
	$17,771

C. Indebtedness

On January 17, 2020, the Company entered into a new credit agreement with CoBank for a $50 million revolving credit facility. The term of the credit agreement is five years and expires on January 17, 2025. The interest rate on the credit facility is based on a spread over LIBOR and is determined by the Company's leverage ratio, as defined in the credit agreement. The Company's borrowing rate at March 31, 2020 is LIBOR plus 1.5%. The credit facility is secured by a pledge of the stock of the Company's subsidiaries. In 2020 and 2019, respectively, the average balance of the line of credit outstanding was $6.8 million and $8.7 million; the highest amount outstanding was $50.0 million and $13.0 million; and the average interest rate was 2.81% and 5.04%.

Long-term debt at March 31, 2020, December 31, 2019, and March 31, 2019 consists of (all interest rates are at March 31, 2020) (in thousands):

	March 31, 2020	**December 31, 2019**	**March 31, 2019**
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%	6,710	8,031	10,029
Revolving credit facility from CoBank, ACB at a variable rate of 2.27%	50,000	9,000	7,000
	64,357	24,678	24,676
Current maturities	(2,557)	(3,878)	(8,976)
	61,800	20,800	$15,700

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 March 31, 2020, December 31, 2019 and March 31, 2019, assets of $83.1 million, $4.4 million and $5.0 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 2020 Other income is a gain of $13.1 million from the sale of RSA #2, and in 2019 $2.5 million from a final non-recurring contingent gain, stemming from the sale of an investment by a minority interest 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 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 March 31, 2020, LICT provided service to 72,356 revenue generating units consisting of 35,903 high speed data lines, 31,908 voice lines, and 4,545 video subscribers. Comparable amounts at March 31, 2019 were 33,893, 32,923, and 4,884 respectively. Operations are deployed through 4,697 miles of fiber optic cable, 11,837 miles of copper cable, and 704 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. 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. In 2019 the Company's subsidiaries accepted this A-CAM expansion program and received the year to date incremental funding in the second 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.

<u>Three Months ended March 31, 2020 compared to 2019</u>

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

	2020	**2019**
Regulated revenues:		
Local access	$1,639	$1,722
Interstate access	11,516	10,764
Intrastate access	2,040	2,227
Other regulated	288	282
Total regulated revenues	15,483	14,995
Non-regulated revenues:		
Broadband and related services	9,384	8,610
Video (including cable modem)	4,011	3,506
Other	1,169	1,072
Total non-regulated revenues	14,563	13,188
Total revenues	30,046	28,183

Operating Cost and Expense:		
Cost of revenue, excluding depreciation	13,198	12,568
General and administrative costs at operations	3,099	2,829
Corporate office expenses	959	1,022
Depreciation and amortization	4,340	4,878
Total operating costs and expenses	21,596	21,297
Operating profit	$8,450	$6,886

In the first quarter of 2020, our non-regulated revenues grew by $1.4 million to $14.6 million, a 10.4% increase as compared to 2019. 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. Regulated revenues at $15.5 million were $0.5 million above the $15.0 million recorded in 2019, an increase of 3.3%. Combining the non-regulated and regulated revenues, total revenues in 2020 increased by $1.9 million or 6.6%, to $30.0 million compared to $28.2 million in 2019.

Total operating costs and expenses were $21.6 million in 2020, an increase of $0.3 million as compared to 2019. The costs of revenue increased by $0.6 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations increased by $0.3 million. Corporate expenses decreased by $63 thousand. Depreciation and amortization decreased by $0.5 million from 2020 to 2019, due to an increase in operating assets becoming fully depreciated. As a result of the above, operating profit in 2020 increased by $1.6 million from $6.9 million in 2019 to $8.5 million in 2020.

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:

	2020	2019
EBITDA from:		
Operating units	$13,749	$12,915
Dividends from equity affiliates	542	563
EBITDA before corporate expenses	14,291	13,478
Corporate expenses	(959)	(1,022)
EBITDA	13,332	12,456
Reconciliation to net income:		
EBITDA	13,332	12,456
Less dividends from equity affiliates	(542)	(563)
Depreciation and amortization	(4,340)	(4,978)
Investment income	113	174
Interest expense	(302)	(423)
Equity in income of affiliates	53	503
Other income (expense) – Other	13,042	2,493
Income tax	(5,554)	(2,549)
Net income	$15,802	$7,104

Other Income (Expense)

In the first quarter of 2020, investment income decreased by $61 thousand while interest expense decreased by $130 thousand, primarily due to lower distributions from the Company investment in Aureon and Patronage Capital.

On January 2, 2020The Company completed the sale of its 25% partnership interest in a cellular telephone provider, California RSA #2 Partnership to Verizon Wireless. The sale resulted in a gain of $13.1 million. Equity in earnings of affiliates from this investment were $0.5 million in 2019.

During the first quarter of 2019, the Company recorded in other income (expense) $2.5 million of income related to a final non-recurring contingent gain, stemming from the sale of an investment by a minority interest owned by the Company.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2020 and 2019 represent effective tax rates of 26.4% and 26.4%, respectively.

Net Income

Net income for the first quarter of 2020 was $15.8 million, or $828 per basic and diluted share. The 2020 net income includes $9.6 million after-tax affects, or $504 per basic and diluted share, of the above noted non-recurring gain. In 2019, net income was $7.1 million, or $358 per basic share and $357 diluted share

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company closed on a new five-year, $50 million unsecured Revolving Credit Facility with CoBank. In addition to extending the Revolving Credit Facility through 2025, the new loan facility is unsecured, provides for lower borrowing rates, and has more flexible terms. As of March 31, 2020, there was $50.0 million outstanding under the $50 million facility. The average balance outstanding under the facility was $6.8 million at an average interest rate of 2.81%.

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 March 31, 2020 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	$64,357	$2,557	$11,800	$50,000	$--
Operating leases	4,600	869	1,200	560	1,971
Interest on long-term debt	1,785	1,275	435	200	--
Total contractual cash obligations and commitments	$70,742	$4,701	$13,435	$50,760	$1,971

At March 31, 2020, total debt was $64.4 million, an increase of $39.7 million from December 31, 2019, which represented average interest rate debt outstanding at 3.9% 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.

As of March 31, 2020, LICT had current assets of $105.6 million and current liabilities of $18.0 million resulting in working capital of $87.6 million compared to $16.4 million at December 31, 2019.

Sources and Uses of Cash

On February 25, 2019, the FCC further 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. In 2019 the Company's subsidiaries accepted this A-CAM expansion program and began receiving incremental funding in the second quarter of 2019, with the first payment including the funding for the 1st quarter of 2019 as well.

Cash at March 31, 2020 was $88.8 million, as compared to $8.4 million at December 31, 2019. In late March the company drew down the entire balance of the $50.0 million line of Credit as a precautionary messure light of the potential impact of the COVID 19 on the economy and our business in particular. In the first three months of 2020, net cash provided by operations of $12.1 million was primarily used to invest in plant and equipment ($5.0 million), repay debt ($1.3 million), and purchase treasury shares ($3.1 million).

In the first three months, capital expenditures were $5.0 million in 2020 as compared to $4.8 million in 2019.

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 $542 thousand in the first three months of 2020 compared to $563 thousand in the prior year period. The Company sold this investment January 2, 2020 for $16.9 million.

The Company's Board of Directors has authorized the purchase of up to 7,600 shares of the Company's common stock. Through March 31, 2020, 7,702 shares have been purchased at an average investment of $5,900 per share, including 180 shares purchased in 2020 at an average investment of $117,241 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.