LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended June 30, 2020

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

	June 30, 2020	December 31, 2019	June 30, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$84,544	$8,415	$13,491
Receivables, less allowances of $298, $220, and $191, respectively	7,651	8,012	7,674
Note receivable	--	--	2,850
Material and supplies	5,748	4,448	4,806
Prepaid expenses and other current assets	5,248	22,858	2,719
Total current assets	103,191	43,733	31,540
Property, plant and equipment:			
Land	1,056	1,056	1,055
Buildings and improvements	17,662	17,575	17,521
Machinery and equipment	379,849	368,885	363,012
	398,567	387,516	381,588
Accumulated depreciation	(295,187)	(288,524)	(286,167)
	103,380	98,992	95,421
Goodwill	48,048	48,048	47,910
Other intangibles	7,678	7,510	7,518
Investments in and advances to affiliated entities	3,370	7,687	5,837
Other assets	8,172	8,439	7,072
Assets held for sale	--	--	2,613
Total assets	$273,839	$214,409	$197,911

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2020	December 31, 2019	June 30, 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$2,953	$3,813	$3,157
Accrued interest payable	130	130	110
Accrued liabilities	13,333	5,447	7,000
Current maturities of long-term debt	11,800	3,878	3,057
Total current liabilities	28,216	13,268	13,324
Long-term debt	51,377	20,800	12,620
Deferred income taxes	20,203	20,186	15,674
Other liabilities	5,844	5,810	5,055
Liabilities held for sale	--	--	1,946
Total liabilities	105,640	60,064	48,619
Shareholders' equity			
Common stock, $0.0001 par value- 10,000,000 shares authorized; 26,831 issued; 18,719, 19,188 and 19,544 outstanding	--	--	--
Additional paid-in capital	17,859	17,859	17,751
Retained earnings	205,789	184,211	172,827
Treasury stock, 8,111, 7,642 and 7,059 shares, at cost	(55,449)	(47,725)	(41,286)
Total shareholders' equity	168,199	154,345	149,292
Total liabilities and shareholders'	$273,839	$214,409	$197,911

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		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues	$30,507	$30,925	$60,553	$59,108
Costs and expenses:				
Cost of revenue, excluding depreciation	13,550	12,630	26,748	25,209
General and administrative costs at operations	3,176	3,072	6,275	5,889
Corporate office expenses	1,063	1,127	2,013	2,149
Charitable contributions	247	--	247	--
Depreciation and amortization	4,074	4,500	8,414	9,379
Total Costs and Expenses	22,110	21,329	43,697	42,626
Operating profit	8,397	9,596	16,856	16,482
Other income (expense):				
Investment income	154	68	267	242
Interest expense	(486)	(386)	(788)	(818)
Equity in earnings of affiliated companies	--	664	53	1,167
Other	25	3	13,067	2,496
	(307)	349	12,599	3,087
Income from continuing operations before taxes	8,090	9,945	29,455	19,569
Provision for income taxes	(2,323)	(2,300)	(7,877)	(4,849)
Income from continuing operations	5,767	7,645	21,578	14,720
Income from discontinued operations before taxes	--	71	--	110
Provision for income taxes	--	(5)	--	(15)
Income from discontinued operations	--	66	--	95
Net income	$5,767	$7,711	$21,578	$14,815
Earnings per share from continuing operations:	$307	$390	$1,139	$748
Earnings per share from discontinued operations:	--	$3	--	$5
Weighted average shares outstanding:				
Basic average shares outstanding	18,803	19,581	18,953	19,672
Diluted average shares outstanding	18,803	19,616	18,953	19,707
Actual shares outstanding	18,719	19,544	18,719	19,544

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	--	--	--	21,578	--	21,578
Purchase of Treasury Stock	(469)	--	--	--	(7,724)	(7,724)
Balance at June 30, 2020	18,719	$--	$17,859	$205,789	($55,449)	$168,199

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, 2020	Six Months Ended June 30, 2019
Operating activities:		
Net income	$21,578	$14,815
Net income - discontinued operations	--	(95)
Net Income from continuing operations	21,578	14,720
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	8,414	9,552
Equity in earnings of affiliated companies	(53)	(1,167)
Distributions received from affiliated companies	542	1,125
Deferred income tax provision	17	(56)
Restricted and other stock award expense	--	106
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	361	850
Income tax payable/ receivable	7,753	1,746
Accounts payable and accrued liabilities	(860)	(1,930)
Other operating assets and liabilities	(3,085)	(1,645)
Net cash provided by continuing operating activities	21,596	20,808
Net cash in operating activities - discontinued operations	--	(52)
Net cash provided by operating activities	21,596	20,756
Investing activities:		
Capital expenditures	(12,915)	(11,650)
Acquisition of spectrum licenses	(170)	(4,916)
Proceeds from sale of investment	16,900	--
Proceeds from sale of investment from minority owned entity	--	2,493
Return of FCC deposit	20,000	20,000
Other investing activities	112	442
Net cash provided by continuing investing activities	23,927	6,369
Net cash in investing activities - discontinued operations	--	92
Net cash provided by investing activities	23,927	6,461
Financing activities:		
Repayments of long term debt	(2,501)	(2,299)
Borrowing (repayment) on lines of credit, net	41,000	(13,000)
Purchase of treasury stock	(7,724)	(5,998)
Other financing activities	(169)	--
Net cash provided by (used in) financing activities	30,606	(21,297)
Net increase in cash and cash equivalents	76,129	5,920
Cash and cash equivalents at beginning of period	8,415	7,732
Cash and cash equivalents at end of period	84,544	13,652
Less: Cash and cash equivalents - discontinued operations at end of period	--	161
Cash and cash equivalents at end of period	$84,544	$13,491

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: 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 and six month periods ended June 30, 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 June 30, 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 $1.1 million for the six months ended June 30, 2019. Cash distributions from RSA #2 for the six months ending June 31, 2020 and 2019 were $542 thousand and $1.1 million, respectively.

	June 30, 2019
OPERATING RESULTS	
Three Months Ended	
Revenues	$6,528
Gross Margin	4,207
Net profit	2,432
Six Months Ended	
Revenues	$12,690
Gross Margin	8,038
Net Profit	4,560
BALANCE SHEET	
Current assets	$6,866
Property, plant and equipment and Other – net	15,463
	$22,329
Current liabilities	$2,191
Long-term liabilities	5,783
Partners' equity	14,355
	$22,329

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 June 30, 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 June 30, 2020, December 31, 2019, and June 30, 2019 consists of (all interest rates are at June 30, 2020) (in thousands):

	June 30, 2020	December 31, 2019	June 30, 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 4.0% and 6.0%	5,530	8,031	8,030
Revolving credit facility from CoBank at a variable rate at Libor plus 1.5% which was 2.27% as of June 30, 2020	50,000	9,000	--
Total debt	63,177	24,678	15,677
Current maturities	(11,800)	(3,878)	(3,057)
Long term debt	$51,377	$20,800	$12,620

D. Litigation

LICT or a subsidiary thereof is a party to routine litigation incidental to its business. Based on information currently available, the Company believes that none of this ordinary routine litigation, either individually or in the aggregate, will have a material effect on its financial condition and results of operations.

E. Related Party Transactions

At June 30, 2020, December 31, 2019 and June 30, 2019, assets of $80.3 million, $4.4 million and $9.1 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 the first quarter of 2020 Other Income is a gain of $13.1 million from the sale of California RSA #2, and in the first quarter of 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 June 30, 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 June 30, 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 2028 with a predictable, set amount of support. 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.

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.

Three Months Ended June 30, 2020 compared to 2019

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

	2020	2019
Regulated revenues:		
Local access	$1,652	$1,730
Interstate access	11,550	13,140
Intrastate access	2,037	2,225
Other regulated	258	311
Total regulated revenues	15,497	17,406
Non-regulated revenues:		
Broadband and related services	9,766	8,747
Video (including cable modem)	4,057	3,684
Other	1,187	1,088
Total non-regulated revenues	15,010	13,519
Total revenues	30,507	30,925
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	13,550	12,630
General and administrative costs at operations	3,176	3,072
Corporate office expenses	1,063	1,127
Charitable contributions	247	--
Depreciation and amortization	4,074	4,500
Total operating costs and expenses	22,110	21,329
Operating profit	$8,397	$9,596

Regulated revenues were $15.5 million in the second quarter of 2020, a decline of $1.9 million from the prior year's $17.4 million. Second quarter 2019 regulated revenues included an incremental $1.1 million for funds for the first quarter of 2019 related to A-CAM and Connect America Fund-Broadband Loop Support ("CAF-BLS"). The second quarter of 2019 also included approximately $0.6 million of interstate access revenues that were reduced beginning in the third quarter of 2019 as the companies adjusted regulated revenue estimates related to cost recovery mechanisms. Intrastate access/USF revenues declined $0.2 million in one of our largest markets because the state USF methodology was revised by State regulators to include the increased A-CAM revenues. In the second quarter of 2020, our non-regulated revenues grew by $1.5 million to $15 million, a 11% 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 ($0.3 million) and Kansas ($0.3 million) operations. These increased sales came primarily from additional broadband circuits outside of our regulated service territory and additional video (cable modem) revenue. Combining the regulated and non-regulated revenues, total revenues in 2020 decreased by $0.4 million or 1.4%, to $30.5 million compared to $30.9 million in 2019.

Total operating costs and expenses were $21.9 million in 2020, an increase of $0.6 million as compared to 2019. The costs of revenue increased by $0.9 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations increased by $0.1 million. Corporate expenses decreased by $64 thousand. Charitable contributions increased by $0.3 million in 2020 to support local schools and other charitable organizations affected by COVID-19. Depreciation and amortization decreased by $0.4 million to $4.1 million in 2020, from $4.5 million in 2019. This was mainly due to several operating assets becoming fully depreciated. As a result of the above, operating profit in 2020 decreased by $1.2 million from $9.6 million in 2019 to $8.4 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	$13,781	$15,223
Dividends from equity affiliates	--	562
EBITDA before corporate expenses	13,781	15,785
Charitable contributions	(247)	--
Corporate expenses	(1.063)	(1,127)
EBITDA	12,471	14,658
Reconciliation to net income:		
EBITDA	12,471	14,658
Less dividends from equity affiliates	--	(562)
Depreciation and amortization	(4,074)	(4,500)
Investment income	154	68
Interest expense	(486)	(386)
Equity in earnings of affiliated companies	--	664
Other income – other	25	3
Income tax	(2,323)	(2,300)
Income from discontinued operations, net of tax	--	66
Net income	$5,767	$7,711

Other Income (Expense)

In the second quarter of 2020, investment income increased by $86 thousand while interest expense increased by $100 thousand, due to the drawn down on the $50 million line of credit.

On January 2, 2020, the 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 $0.6 million in 2019.

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 second quarter of 2020 was $5.7 million, or $307 per basic and diluted share. In 2019, net income was $7.7 million, or $390 per basic and diluted share.

Six Months Ended June 30, 2020 compared to 2019

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

	2020	2019
Regulated revenues:		
Local access	$3,291	$3,451
Interstate access	23,066	23,904
Intrastate access	4,077	4,452
Other regulated	546	593
Total regulated revenues	30,980	32,400
Non-regulated revenues:		
Broadband and related services	19,150	17,357
Video (including cable modem)	8,068	7,190
Other	2,355	2,161
Total non-regulated revenues	29,573	26,708
Total revenues	60,553	59,108
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	26,748	25,209
General and administrative costs at operations	6,275	5,889
Corporate office expenses	2,013	2,149
Charitable contributions	247	--
Depreciation and amortization	8,414	9,379
Total operating costs and expenses	43,697	42,626
Operating profit	$16,856	$16,482

In the first half of 2020, non-regulated revenues increased by $2.9 million, or 10.7%, to $29.6 million, from $26.7 million in 2019. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($1.2 million), New Mexico ($0.5 million), Kansas ($0.5 million) and Michigan ($0.3 million) operations. These increased sales came primarily from additional broadband circuits outside of our regulated service territory and additional cable modem revenue. Non-regulated revenues currently represent 49% of our revenue streams and are expected to continue to grow.
Regulated revenues decreased $1.4 million, or 4.4%, to $31.0 million in the first half of 2020, from $32.4 million in 2019. A-CAM and CAF-BLS revenues increased $0.3 million for the first half of 2020. Approximately $1.2 million of first half 2019 revenues were not repeated in 2020 as the companies adjusted regulated revenue estimates related to cost recovery mechanisms beginning in the third quarter of 2019. Intrastate access/USF revenues declined by $0.3 million for the first half of 2020 due to revised state USF methodology. Combining the non-regulated and regulated revenues, total revenues in the first half of 2020 increased by $1.4 million, or 2.3%, to $60.5 million compared to $59.1 million in 2019.

Total operating costs and expenses were $43.6 million in 2020, an increase of $1.0 million as compared to 2019. The costs of revenue increased by $1.5 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations increased by $386 thousand. Corporate expenses decreased by $136 thousand due to lower compensation expense in 2019. Charitable contributions increased by $0.3 million to support local schools and other charitable organizations affected by COVID-19. Depreciation and amortization decreased by $1.0 million from 2019 to 2018. As a result of the above, operating profit in the first half of 2020 increased by $0.4 million from $16.4 million in 2019 to $16.8 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, 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:

	2020	2019
EBITDA from:		
Operating units	$27,530	$28,010
Dividends from equity affiliates	542	1,125
EBITDA before corporate expenses	28,072	29,135
Charitable contributions	(247)	--
Corporate expenses	(2,013)	(2,149)
EBITDA	$25,812	$26,986
Reconciliation to net income:		
EBITDA	$25,812	$26,986
Less dividends from equity affiliates	(542)	(1,125)
Depreciation and amortization	(8,414)	(9,379)
Investment income	267	242
Interest expense	(788)	(818)
Equity in earnings of affiliated companies	53	1,167
Other income (expense) – Other	13,067	2,496
Income tax	(7,877)	(4,849)
Income from discontinued operations, net of tax	--	95
Net income	$21,578	$14,815

Other Income (Expense)

In the first half of 2020, investment income increased by $25 thousand while interest expense decreased by $30 thousand due to the drawn down on the $50 million line of credit.

On January 2, 2020, the 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 $1.1 million in 2019.

During the first half 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 half of 2020 was $21.5 million, or $1,139 per basic and diluted share. The 2020 net income includes $9.6 million after-tax affects, stemming from the sale of California RSA #2 Partnership. The 2019 net income was $14.8 million, or $748 per basic share and $747 per 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 June 30, 2020, there was $50.0 million outstanding under the $50 million facility. The average balance outstanding under the facility was $28.4 million at an average interest rate of 2.19%.

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, 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	$63,177	$11,800	$1,377	$50,000	$--
Operating leases	2,889	683	1,533	559	114
Interest on long-term debt	6,578	1,633	2,677	2,268	--
Total contractual cash obligations and commitments	$72,644	$14,116	$5,587	$52,827	$114

At June 30, 2020, total debt was $63.2 million, an increase of $38.5 million from December 31, 2019, which represented average interest rate debt outstanding at 3.3% 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 June 30, 2020, LICT had current assets of $103.2 million and current liabilities of $28.2 million resulting in working capital of $75 million compared to $30.5 million at December 31, 2019.

Sources and Uses of Cash

Cash at June 30, 2020 was $84.5 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 measure in light of the potential impact of COVID-19 on the economy and our business in particular. In the first six months of 2020, net cash provided by operations of $21.6 million was primarily used to invest in plant and equipment ($12.9 million), repay debt ($2.5 million), and purchase treasury shares ($7.7 million).

In the first six months, capital expenditures were $12.9 million in 2020 as compared to $11.7 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 $562 thousand in the second quarter of 2019. For the first six months of 2020 the company received $542 thousand as compared to $1,125 thousand received in 2019 first six months. The Company sold this investment January 2, 2020 for $16.9 million.

On August 5, 2020 the Company's Board of Directors increased the authorization to purchase shares of the Company's common stock by 382 shares. During the first six months of 2020, 469 shares of company stock have been purchased at an average investment of $16,470 per share. Through June 30, 2020, we have purchased 7,991 shares in total.

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..

2020 Outlook

Economic conditions in our service areas and demand for broadband services remain robust and, as a result, LICT is maintaining its guidance for 2020. The company expects to continue its strong financial performance in 2020 with total revenues of $120 - $124 million, EBITDA in the range of $54 to $56 million, and total capital expenditures between $25 and $27 million. The effect of the COVID-19 pandemic may impact non-regulated revenue growth and potentially impact bad debt expense as the economic contraction may impair customers' ability to purchase and pay for service.