LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended September 30, 2020

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

	September 30, 2020	December 31, 2019	September 30, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$84,313	$8,415	$17,904
Receivables, less allowances of $229, $220, and $216, respectively	7,005	8,012	5,385
Material and supplies	6,055	4,448	5,104
Prepaid expenses and other current assets	3,355	22,858	2,707
Total current assets	100,728	43,733	31,100
Property, plant and equipment:			
Land	1,056	1,056	1,055
Buildings and improvements	17,757	17,575	17,560
Machinery and equipment	385,006	368,885	368,780
	403,819	387,516	387,395
Accumulated depreciation	(298,442)	(288,524)	(289,749)
	105,377	98,992	97,646
Goodwill	48,048	48,048	47,910
Other intangibles	12,317	7,510	7,514
Investments in and advances to affiliated entities	3,370	7,687	5,982
Other assets	8,135	8,439	6,995
Assets held for sale	--	--	2,739
Total assets	$277,975	$214,409	$199,886

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2020	December 31, 2019	September 30, 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	$3,275	$3,813	$2,670
Accrued interest payable	288	130	54
Accrued liabilities	10,918	5,447	8,308
Current maturities of long-term debt	11,800	3,878	3,057
Total current liabilities	26,281	13,268	14,089
Long-term debt	51,377	20,800	12,620
Deferred income taxes	20,124	20,186	15,688
Other liabilities	5,870	5,810	4,984
Liabilities held for sale	--	--	2,093
Total liabilities	103,652	60,064	49,474
Shareholders' equity			
Common stock, $0.0001 par value- 10,000,000 shares authorized; 26,831 issued; 18,673, 19,188 and 19,320 outstanding	--	--	--
Additional paid-in capital	17,859	17,859	17,805
Retained earnings	212,732	184,211	177,931
Treasury stock, 8,157, 7,642 and 7,510 shares, at cost	(56,268)	(47,725)	(45,324)
Total shareholders' equity	174,323	154,345	150,412
Total liabilities and shareholders'	$277,975	$214,409	$199,886

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues	$32,183	$28,037	$92,736	$87,145
Costs and expenses:				
Cost of revenue, excluding depreciation	13,739	13,016	40,487	38,225
General and administrative costs at operations	2,911	2,943	9,186	8,832
Corporate office expenses	1,207	1,086	3,220	3,235
Charitable contributions	--	--	247	--
Depreciation and amortization	4,453	4,669	12,867	14,048
Total Costs and Expenses	22,310	21,714	66,007	64,340
Operating profit	9,873	6,323	26,729	22,805
Other income (expense):				
Investment income	16	67	283	309
Interest expense	(481)	(289)	(1,269)	(1,107)
Equity in earnings of affiliated companies	--	807	53	1,974
Other	16	7	13,083	2,503
	(449)	592	12,150	3,679
Income from continuing operations before taxes	9,424	6,915	38,879	26,484
Provision for income taxes	(2,481)	(1,885)	(10,358)	(6,734)
Income from continuing operations	6,943	5,030	28,521	19,750
Income from discontinued operations before taxes	--	92	--	202
Provision for income taxes		(18)	--	(33)
Income from discontinued operations		74	--	169
Net income	$6,943	$5,104	$28,521	$19,919
Earnings per share from continuing operations	$371	$259	$1,512	$1,009
Earnings per share from discontinued operations	--	$4	--	$9
Earnings per share from net income operations	$371	$263	$1,512	$1,018
Weighted average shares outstanding				
Basic average shares outstanding	18,701	19,388	18,866	19,576
Diluted average shares outstanding	18,701	19,423	18,866	19,611
Actual shares outstanding	18,673	19,320	18,673	19,320

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	--	--	--	28,521	--	28,521
Purchase of Treasury Stock	(515)	--	--	--	(8,543)	(8,543)
Balance at September 30, 2020	18,673	$--	$17,859	$212,732	($56,268)	$174,323

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2020	**2019**
Operating activities:		
Net income	$28,521	$19,919
Net income - discontinued operations	--	(169)
Net Income from continuing operations	28,521	19,750
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	12,896	14,048
Equity in earnings of affiliated companies	(53)	(1,974)
Distributions received from affiliated companies	542	1,787
Deferred income tax provision	(56)	(47)
Restricted and other stock award expense	--	160
Gain from sale of investments	(13,071)	--
Changes in operating assets and liabilities:		
Accounts receivables	1,007	3,139
Note receivable	--	2,850
Income tax payable/ receivable	4,780	1,459
Accounts payable and accrued liabilities	(380)	(3,485)
Other operating assets and liabilities	(562)	819
Net cash provided by continuing operating activities	33,624	38,506
Net cash in operating activities - discontinued operations	--	315
Net cash provided by operating activities	33,624	38,821
Investing activities:		
Capital expenditures	(19,348)	(18,385)
Acquisition of spectrum licenses	(4,809)	(4,916)
Proceeds from sale of investments	16,900	--
Purchase of Securities	(352)	--
Return of FCC deposit	20,000	20,000
Other investing activities	96	396
Net cash provided by (used in) continuing investing	12,487	(2,905)
Net cash in investing activities - discontinued operations	--	(201)
Net cash provided by (used in) investing activities	12,487	(3,106)
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	(8,543)	(10,036)
Other financing activities	(169)	--
Net cash provided by (used in) financing activities	29,787	(25,335)
Net increase in cash and cash equivalents	75,898	10,380
Cash and cash equivalents at beginning of period	8,415	7,732
Cash and cash equivalents at end of period	84,313	18,112
Less: Cash and cash equivalents - discontinued operations at end of period	--	208
Cash and cash equivalents at end of period	$84,313	$17,904

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 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 nine month periods ended September 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 September 30, 2019, the net investment in the partnership was $4.4 million and $4.5 million, respectively. The Company's share of income, included in Equity in Earnings of Affiliated Companies was $2.0 million for the nine months ended September 30, 2019. Cash distributions from RSA #2 for the nine months ending September 30, 2020 and 2019 were $542 thousand and $1.8 million, respectively.

	September 30, 2019
OPERATING RESULTS	
Three Months Ended	
Revenues	$7,424
Gross Margin	4,918
Net profit	3,054
Nine Months Ended	
Revenues	$20,114
Gross Margin	12,956
Net Profit	7,615
BALANCE SHEET	
Current assets	$7,271
Property, plant and equipment and Other – net	15,544
	$22,815
Current liabilities	$2,321
Long-term liabilities	5,735
Partners' equity	14,759
	$22,815

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 September 30, 2020 is LIBOR plus 2.0%. 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 $32.3 million and $3.9 million; the highest amount outstanding was $50.0 million and $13.0 million; and the average interest rate was 2.20% and 5.06%.

Long-term debt at September 30, 2020, December 31, 2019, and September 30, 2019 consists of (all interest rates are at September 30, 2020) (in thousands):

	September 30, 2020	December 31, 2019	September 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 2.00% which was 2.20%as of September 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 and threatened litigation incidental to its business. Based on information currently available, the Company believes that none of this ordinary routine litigation, either individually or in the aggregate, will have a material effect on its financial condition and results of operations.

E. Related Party Transactions

At September 30, 2020, December 31, 2019 and September 30, 2019, assets of $79.2 million, $4.4 million and $13.1 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 September 30, 2020, LICT provided service to 75,749 revenue generating units consisting of 39,157 broadband data lines, 32,149 voice lines, and 4,443 video subscribers. Comparable amounts at September 30, 2019 were 32,785, 33,215, and 5,315 respectively. Operations are deployed through 5,061 miles of fiber optic cable, 11,478 miles of copper cable, and 757 miles of coaxial cable and 45 towers.

The broad array of communications services which we provide to residential, commercial and governmental customers include:

- Broadband services, principally Digital Subscriber Lines ("DSL") and cable modem services, which are increasingly provided through fiber optic facilities;
- Local and long-distance telephone service;
- 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 more remote customers.

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.

The federal and state governments have long had policies promoting communication services in rural areas because it benefits the nation.These policies were initially meant for voice service, but have expanded to include broadband. 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 federal and state support mechanisms, which are generally referred to as Universal Service Funds ("USF"). We devote considerable management attention to understanding, utilizing and complying with these various governmental programs, incentives and regulatory structures, including that the rates we can charge for some of our services are regulated by the Federal Communications Commission ("FCC") and in many cases, the various state public utility commission. USF mechanisms change periodically and while there is no certainty that such support programs will continue at the same levels as they have in the past, the FCC's new Alternative Connect America Cost model ("A-CAM") support program, which commenced January 1, 2017, with revisions in 2018 and 2019, and the addition of A-CAM II in Wisconsin in 2019, and which runs through 2028 with a predictable set amount of support has significantly increased the stability and predicatability of our USF revenues. The amount of federal support we are receiving comes with the required obligation to build broadband to a specific number of locations in rural America. A-CAM and A-CAM II replaced two prior legacy FCC USF mechanisms which LICT had been receiving.

Three Months Ended September 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	$1,672	$1,721
Interstate access	12,582	9,801
Intrastate access	2,061	2,218
Other regulated	271	291
Total regulated revenues	16,586	14,031
Non-regulated revenues:		
Broadband and related services	10,176	9,099
Video (including cable modem)	4,129	3,762
Other	1,292	1,145
Total non-regulated revenues	15,597	14,006
Total revenues	32,183	28,037
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	13,739	13,016
General and administrative costs at operations	2,911	2,943
Corporate office expenses	1,207	1,086
Depreciation and amortization	4,453	4,669
Total operating costs and expenses	22,310	21,714
Operating profit	$9,873	$6,323

Regulated revenues were $16.6 million in the third quarter of 2020, an increase of $2.6 million from the prior year's $14.0 million. Third quarter 2019 regulated revenues included an incremental $0.6 million for funds received for the first half of 2019 related to A-CAM and Connect America Fund-Broadband Loop Support ("CAF-BLS"). The third quarter of 2019 also included approximately $2.1 million reduction of interstate access revenues that were reduced as the companies adjusted regulated revenue estimates related to cost recovery mechanisms. Intrastate access/USF revenues declined in the third quarter by $150 thousand 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 third quarter of 2020, our non-regulated revenues grew by $1.6 million to $15.6 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 ($0.7 million), New Mexico ($0.2 million) and Kansas ($0.2 million) operations. These increased sales came primarily from additional broadband circuits outside of our regulated service territory and additional video (cable modem) revenue. Combining the regulated and non-regulated revenues, total revenues in 2020 increased by $4.2 million or 15%, to $32.2 million compared to $28.0 million in 2019.

Total operating costs and expenses were $22.3 million in 2020, an increase of $0.6 million as compared to 2019. The costs of revenue increased by $0.7 million, due to incremental non-regulated revenue, while corporate expenses increased by $0.1 million. Depreciation and amortization decreased by $0.2 million to $4.4 million in 2020, from $4.7 million in 2019. This was mainly due to several operating assets becoming fully depreciated. As a result of the above, operating profit in 2020 increased by $3.6 million from $6.3 million in 2019 to $9.9 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	$15,533	$12,078
Dividends from equity affiliates	--	662
EBITDA before corporate expenses	15,533	12,740
Corporate expenses	(1,207)	(1,086)
EBITDA	14,326	11,654
Reconciliation to net income:		
EBITDA	14,326	11,654
Less dividends from equity affiliates	--	(662)
Depreciation and amortization	(4,453)	(4,669)
Investment income	16	67
Interest expense	(481)	(289)
Equity in earnings of affiliated companies	--	807
Other income – other	16	7
Income tax	(2,481)	(1,885)
Income from discontinued operations, net of tax	--	74
Net income	$6,943	$5,104

Other Income (Expense)

In the third quarter of 2020, investment income decreased by $51 thousand primarily due to a decline in U.S Treasury yields.

Interest expense increased by $192 thousand, due to the drawn down on the $50 million line of credit.

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 third quarter of 2020 was $6.9 million, or $371 per basic and diluted share. In 2019, net income was $5.1 million, or $263 per basic and diluted share. In addition, 2019 discontinued operations contributed $4 to earnings per share, accordingly, earnings per share from continuing operations was $259.

Nine Months Ended September 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	$4,963	$5,173
Interstate access	35,664	33,749
Intrastate access	6,138	6,669
Other regulated	800	839
Total regulated revenues	47,565	46,430
Non-regulated revenues:		
Broadband and related services	29,327	26,457
Video (including cable modem)	12,197	10,952
Other	3,647	3,306
Total non-regulated revenues	45,171	40,715
Total revenues	92,736	87,145
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	40,487	38,225
General and administrative costs at operations	9,186	8,832
Corporate office expenses	3,220	3,235
Charitable contributions	247	--
Depreciation and amortization	12,867	14,048
Total operating costs and expenses	66,007	64,340
Operating profit	$26,729	$22,805

In the nine months of 2020, non-regulated revenues increased by $4.5 million, or 11%, to $45.2 million, from $40.7 million in 2019. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($1.9 million), New Mexico ($0.7 million), Kansas ($0.7 million) and Michigan ($0.5 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 increased $1.2 million, or 2%, to $47.6 million in the nine months of 2020, from $46.4 million in 2019. A-CAM and CAF-BLS revenues decreased $0.2 million for the nine months of 2020. Approximately $1.2 million reduction in 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 decreased by $0.5 million for the nine months of 2020 primarily due to the elimination of Utah State USF due to the required inclusion of the true-up of A-CAM revenues. Combining the non-regulated and regulated revenues, total revenues for the nine months of 2020 increased by $5.6 million, or 6.4%, to $92.7 million compared from $87.1 million in 2019.

Total operating costs and expenses were $66.0 million in 2020, an increase of $1.7 million as compared to 2019. The costs of revenue increased by $2.3 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations increased by $354 thousand. Corporate expenses decreased by $15 thousand due to higher 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 $1.2 million from 2019 to 2020. As a result of the above, operating profit in the nine months of 2020 increased by $3.9 million from $22.8 million in 2019 to $26.7 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	$43,063	$40,088
Dividends from equity affiliates	542	1,787
EBITDA before corporate expenses	43,605	41,875
Charitable contributions	(247)	--
Corporate expenses	(3,220)	(3,235)
EBITDA	40,138	38,640
Reconciliation to net income:		
EBITDA	40,138	38,640
Less dividends from equity affiliates	(542)	(1,787)
Depreciation and amortization	(12,867)	(14,048)
Investment income	283	309
Interest expense	(1,269)	(1,107)
Equity in earnings of affiliated companies	53	1,974
Other income (expense) – Other	13,083	2,503
Income tax	(10,358)	(6,734)
Income from discontinued operations, net of tax	--	169
Net income	$28,521	$19,919

Other Income (Expense)

In the nine months of 2020, investment income decreased by $26 thousand primarily due to a decline in U.S Treasury yields.

Interest expense increased by $162 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 $1.9 million in 2019.

During the nine months 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 nine months of 2020 was $28.5 million, or $1,512 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 $19.9 million, or $1,018 per basic share and $1,016 per diluted share. For the nine months of 2019 discontinued operations contributed $9 to earnings per share, accordingly, earnings per share from continuing operations was $1,009. In addition, 2019 net income includes $ 94 per share related to a final non-recurring contingent gain mentioned above in other income-(expense).

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 September 30, 2020, there was $50.0 million outstanding under the $50 million facility. The average balance outstanding under the facility was $32.3 million at an average interest rate of 2.20%.

The Company is obligated under long-term debt provisions and lease agreements to make certain cash payments over the term of the agreements. The following table summarizes, as of September 30, 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	2,924	705	1,546	559	114
Interest on long-term debt	6,200	1,623	2,327	2,250	--
Total contractual cash obligations and commitments	$72,301	$14,128	$5,250	$52,809	$114

At September 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 3.2% interest. The revolving credit facility contain certain covenants restricting share repurchases.

As of September 30, 2020, LICT had current assets of $100.7 million and current liabilities of $26.2 million resulting in working capital of $74.5 million compared to $30.5 million at December 31, 2019.

Sources and Uses of Cash

Cash at September 30, 2020 was $84.3 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 nine months of 2020, net cash provided by operations of $33.6 million was primarily used to invest in plant and equipment ($19.3 million), repay debt ($2.5 million), and purchase treasury shares ($8.5 million).

In the first nine months, capital expenditures were $19.3 million in 2020 as compared to $18.3 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 $662 thousand in the third quarter of 2019. For the first quarter of 2020, the company received $542 thousand as compared to $1.8 million received in 2019 for the first nine 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 nine months of 2020, 515 shares of company stock have been purchased at an average investment of $16,588 per share. Through September 30, 2020, we have purchased 8,037 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..

Subsequent Events

On November 12, 2020, LICT Corporation closed the sale of its 10 MHz AWS Federal Communications Commission License in the Topeka, Kansas Basic Trading Area in the amount of $3.9 million. LICT had announced the signing of a definitive agreement for this transaction on August 14, 2020.