LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended June 30, 2021

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenues	$32,287	$30,507	$64,302	$60,553
Costs and expenses:				
Cost of revenue, excluding depreciation	14,519	13,550	28,998	26,748
General and administrative costs at operations	3,016	3,176	6,189	6,275
Corporate office expenses	917	1,063	1,863	2,013
Charitable contributions	183	247	183	247
Depreciation and amortization	4,655	4,074	9,291	8,414
Total Costs and Expenses	23,290	22,110	46,524	43,697
Operating profit	8,997	8,397	17,778	16,856
Other income (expense):				
Investment income	22	154	784	267
Interest expense	(319)	(486)	(704)	(788)
Equity in earnings of affiliated companies	21	--	206	53
Gain from the sale of investment	--	--	--	13,071
Other	(22)	25	36	(4)
	(298)	(307)	322	12,599
Income from operations before taxes	8,699	8,090	18,100	29,455
Provision for income taxes	(2,413)	(2,323)	(4,840)	(7,877)
Net income	$6,286	$5,767	$13,260	$21,578
Earnings per share basic and diluted	$346	$307	$724	$1,139
Earnings per share excluding the gain from the sale of an investment, net of tax[(a)]	$346	$307	$724	$631
Weighted average shares- basic and diluted	18,185	18,803	18,318	18,953
Actual shares outstanding	18,080	18,719	18,080	18,719

(a) Please note the six months ended June 30, 2020, includes the gain of $13.1 million stemming from the sale of MODOC, which added $508 to earnings per share

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2021	December 31, 2020	June 30, 2020
Assets			
Current assets:			
Cash and cash equivalents	$36,488	$67,324	$84,544
Receivables, less allowances of $145, $179, and $298, respectively	6,818	6,443	7,651
Material and supplies	7,069	5,221	5,748
Prepaid expenses and other current assets	4,552	23,458	5,248
Total current assets	54,927	102,446	103,191
Property, plant and equipment:			
Land	1,056	1,056	1,056
Buildings and improvements	17,826	17,795	17,662
Machinery and equipment	404,963	391,696	379,849
	423,845	410,547	398,567
Accumulated depreciation	(308,209)	(301,002)	(295,187)
	115,636	109,545	103,380
Goodwill	48,048	48,048	48,048
Other intangibles	16,099	11,832	7,678
Investments in and advances to affiliated entities	3,664	3,636	3,370
Other assets	7,891	7,869	8,172
Total assets	$246,265	$283,376	$273,839
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade accounts payable	$3,621	$4,354	$2,953
Accrued interest payable	119	286	130
Accrued liabilities	8,289	7,089	13,333
Current maturities of long-term debt	590	42,338	11,800
Total current liabilities	12,619	54,067	28,216
Long-term debt	21,735	20,838	51,377
Deferred income taxes	22,160	22,357	20,203
Other liabilities	5,956	5,519	5,844
Total liabilities	62,470	102,781	105,640
Shareholders' equity			
Common stock, $0.0001 par value-10,000,000 shares authorized; 26,830 issued; 18,080, 18,533 and 18,719 outstanding	--	--	--
Additional paid-in capital	17,859	17,859	17,859
Retained earnings	234,739	221,479	205,789
Treasury stock, 8,750, 8,297 and 8,111 shares, at cost	(68,803)	(58,743)	(55,449)
Total shareholders' equity	183,795	180,595	168,199
Total liabilities and shareholders' equity	$246,265	$283,376	$273,839

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	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance as of December 31, 2020	18,533	$17,859	$221,479	$ (58,743)	$180,595
Net income for the period	--	--	13,260	--	13,260
Purchase of Treasury Stock	(453)	--	--	(10,060)	(10,060)
Balance as of June 30, 2021	18,080	$17,859	$234,739	$ (68,803)	$183,795

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 31,	
	2021	**2020**
Operating activities:		
Net income	$13,260	$21,578
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,313	8,414
Equity in earnings of affiliated companies	(206)	(53)
Cost basis of donated securities	175	--
Distributions received from affiliated companies	--	542
Unrealized gains on securities	(74)	--
Realized loss on securities	33	--
Deferred income tax provision	(197)	17
Gain from sale of investments	--	(13,071)
Changes in operating assets and liabilities:		
Accounts receivables	(375)	361
Income tax payable/ receivable	1,059	7,753
Accounts payable and accrued liabilities	(857)	(860)
Other operating assets and liabilities	(2,435)	(3,085)
Net cash provided by operating activities	19,696	21,596
Investing activities:		
Capital expenditures	(14,689)	(12,915)
Return of FCC Deposit(a)(b)	20,000	20,000
Acquisition of spectrum licenses(a)(b)	(4,267)	(170)
Acquisition, net of cash acquired	(759)	--
Proceeds from sale of investments	--	16,900
Sale of Securities	72	--
Other investing activities	23	112
Net cash provided by investing activities	380	23,927
Financing activities:		
Repayments of long-term debt	(852)	(2,501)
Borrowing (repayment) on lines of credit, net	(40,000)	41,000
Purchase of treasury stock	(10,060)	(7,724)
Other	--	(169)
Net cash provided by (used in) financing activities	(50,912)	30,606
Net increase in cash and cash equivalents	(30,836)	76,129
Cash and cash equivalents at beginning of period	67,324	8,415
Cash and cash equivalents at end of period	$36,488	$84,544

(a) In February 2021, Auction 107 concluded and LICT was the winning bidder on five spectrum licenses totaling $4,267,000. The FCC returned $15,733,000 cash from the original $20,000,000 deposit.
(b) In March 2020, Auction 103 concluded and LICT was the winning bidder on two spectrum licenses totaling $170,000. The FCC returned $19,830,000 cash from the original $20,000,000 deposit.

See accompanying Notes to Condensed Consolidated Financial Statements.

LICT CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED 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 14% owned through partnerships) and the previously sold rural communication and alarm system subsidiary in New York, in which the Company owns 20%. Marketable securities are measured at Fair Value and all other investments are measured at cost.

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, 2020. 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 six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

B. Investments in Affiliated Companies

A subsidiary of LICT owned a 25% partnership interest in a cellular telephone provider in Northern California, California RSA #2 (RSA #2). On January 2, 2020, the Company sold its equity investment in RSA #2 for proceeds of $16.9 million, resulting in a gain on sale of $13.1 million recorded in other income (expense) in the condensed consolidated statements of income.

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 as of June 30, 2021, is LIBOR plus 1.5%. The credit facility is secured by a pledge of the stock of the Company's subsidiaries. In the first half of 2021 and 2020, respectively, the average balance of the line of credit outstanding was $25.9 million and $28.4 million; the highest amount outstanding for 2021 and 2020 was $50.0 million; and the average interest rate was 2.13% and 2.19%, respectively.

Long-term debt as of June 30, 2021, December 31, 2020, and June 30, 2020, consists of (all interest rates are at June 30, 2021) (in thousands):

	June 30, 2021	December 31, 2020	June 30, 2020
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%	4,678	5,529	5,530
Revolving credit facility from CoBank at a variable rate at Libor plus 1.5% which was 2.09% as of June 30, 2021	10,000	50,000	50,000
Total debt	22,325	63,176	63,177
Current maturities	(590)	(42,338)	(11,800)
Long term debt	$21,735	$20,838	$51,377

D. Spectrum Transactions

In October 2019, the Company deposited $20 million with the FCC to participate in Auction 103, for spectrum licenses in upper 37 GHz, 39 GHz and 47 GHz bands. In March 2020, the auction concluded and LICT was the winning bidder on two spectrum licenses totaling $170,000. In March 2020, the FCC returned $19,830,000 cash from the original $20,000,000 deposit.

In November 2020, the Company deposited $20 million with the FCC to participate in Auction 107, which relates to mid-band wireless spectrum known as C-Band. The auction concluded on February 24, 2021, and LICT was the winning bidder on five spectrum licenses totaling $4,267,000. In March 2021, the FCC returned $15,733,000 from the original $20,000,000 deposit.

E. Acquisition

In April 2021, CentraCom, the Company's Utah operation, closed on the acquisition of assets and operations of NeboNet. NeboNet is a fixed wireless Internet Service Provider located in Nephi, Utah that offers high speed wireless internet service in the counties of Juab and Box Elder, Utah. CentraCom will expand and enhance the bandwidth capabilities of the network throughout these communities.

F. 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.

G. Related Party Transactions

As of June 30, 2021, December 31, 2020, and June 30, 2020, assets of $6.0 million, $61.9 million and $80.3 million, which are classified as cash and cash equivalents, were invested in money market funds for which affiliates of the Company's Chairman and Chief Executive Officer serve as investment manager to the respective fund.

H. Other Income

Included in other income are investments in marketable securities. The changes in fair values are attributable to $22 thousand in the second quarter of 2021.

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. Today, LICT provides an array of broadband and communications services, primarily in rural areas but with continuing expansions in adjacent urban communities.

As of June 30, 2021, LICT provided service to 75,768 revenue generating units as follows:

	June 30, 2021	December 31, 2020	Increase (Decrease)	Percent Increase (Decrease)
Broadband Lines	40,607	39,825	782	2.0%
Voice Lines:				
ILEC	23,957	24,005	(48)	(0.2%)
Out of franchise	6,897	7,456	(559)	(7.5%)
Total	30,854	31,461	(607)	(1.9%)
Video Subscribers	4,307	4,406	(99)	(2.2%)
Revenue Generating Units	75,768	75,692	76	0.1%

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;
- Fixed wireless broadband service, primarily for more remote customers.

The increasing 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 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 predictability 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 June 30, 2021 compared to 2020

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

	2021	2020
Regulated revenues:		
Local access	$1,596	$1,652
Interstate access	11,519	11,550
Intrastate access	2,100	2,037
Other regulated	273	258
Total regulated revenues	15,488	15,497
Non-regulated revenues:		
Broadband and related services	11,166	9,766
Video (including cable modem)	4,462	4,057
Other	1,171	1,187
Total non-regulated revenues	16,799	15,010
Total revenues	32,287	30,507
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	14,519	13,550
General and administrative costs at operations	3,016	3,176
Corporate office expenses	917	1,063
Charitable Contributions	183	247
Depreciation and amortization	4,655	4,074
Total operating costs and expenses	23,290	22,110
Operating profit	$8,997	$8,397

Revenues in the second quarter of 2021 increased by $1.8 million or 5.8%, to $32.3 million compared to $30.5 million in the same period of 2020.

The 2021 non-regulated revenues increased by $1.8 million, or 12%, to $16.8 million, from $15.0 million in 2020. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($1.2 million), New Mexico ($0.1 million), Kansas ($0.3 million) and California-Oregon ($0.2 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 52% of our revenue streams and are expected to continue to grow. Second quarter 2021 regulated revenues of $15.5 million remained flat compared to 2020.

Total operating costs and expenses were $23.3 million in 2021, an increase of $1.2 million as compared to 2020. The costs of revenue increased by $1.0 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations decreased by $0.2 million. Corporate expenses decreased by $0.2 million compared to 2020. Depreciation and amortization increased by $0.6 million from 2020 to 2021. As a result of the above, operating profit in 2021 increased by $0.6 million from $8.3 million in 2020 to $8.9 million in 2021.

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.

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

	2021	2020
EBITDA from:		
Operating units	$14,752	$13,781
Corporate expense	(917)	(1,063)
Charitable Contributions	(183)	(247)
EBITDA	$13,652	$12,471
Reconciliation to net income:		
EBITDA	$13,652	$12,471
Depreciation and amortization	(4,655)	(4,074)
Investment income	22	154
Interest expense	(319)	(486)
Equity in earnings of affiliated companies	21	--
Other	(22)	25
Income tax provision	(2,413)	(2,323)
Net income	$6,286	$5,767

Other Income (Expense)

In the second quarter of 2021, investment income decreased by $0.1 million primarily due to a decline in rates to our short-term interest accounts as compared to 2020.

Equity in earnings of affiliates were $21 thousand primarily attributed to the Company's investment in DFT Communications and CIBL, Inc.

Interest expense decreased by $0.2 million primarily due to a $40.0 million reduction in our credit line borrowings in the second quarter of 2021 as compared to 2020.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2021 and 2020 represent effective tax rates of 27.7% and 28.7%, respectively.

Net Income

Net income for the second quarter of 2021 was $6.2 million, or $346 per basic and diluted share. In 2020, net income was $5.7 million, or $307 per basic and diluted share.

Six Months Ended June 30, 2021 compared to 2020

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

	2021	2020
Regulated revenues:		
Local access	$3,185	$3,291
Interstate access	23,088	23,066
Intrastate access	4,203	4,077
Other regulated	595	546
Total regulated revenues	31,071	30,980
Non-regulated revenues:		
Broadband and related services	22,044	19,150
Video (including cable modem)	8,839	8,068
Other	2,348	2,355
Total non-regulated revenues	33,231	29,573
Total revenues	64,302	60,553
Operating Cost and Expense:		
Cost of revenue, excluding depreciation	28,998	26,748
General and administrative costs at operations	6,189	6,275
Corporate office expenses	1,863	2,013
Charitable contributions	183	247
Depreciation and amortization	9,291	8,414
Total operating costs and expenses	46,524	43,697
Operating profit	$17,778	$16,856

Total revenues in the first half of 2021 increased by $3.8 million, or 6.2%, to $64.3 million compared to $60.5 million in 2020.

Non-regulated revenues increased by $3.7 million, or 12.4%, to $33.2 million, from $29.5 million in 2020. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah ($2.2 million), New Mexico ($0.3 million), Kansas ($0.6 million), California-Oregon ($0.3 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 52% of our revenue streams and are expected to continue to grow.

Regulated revenues increased by $0.1 million to $31.0 million in the first half of 2021, from $30.9 million in 2020.

Total operating costs and expenses were $46.5 million in 2021, an increase of $2.9 million as compared to 2020. The costs of revenue increased by $2.3 million, due to incremental non-regulated revenue, while general and administrative costs incurred at the operations decreased by $0.1 million. Corporate expenses decreased by $0.2 million due to lower compensation expense in 2021. Depreciation and amortization increased by $0.9 million from 2020 to 2021. As a result of the above, operating profit in the first half of 2020 increased by $0.9 million from $16.9 million in 2020 to $17.8 million in 2021.

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.

	2021	2020
EBITDA from:		
Operating units	$29,115	$27,530
Corporate expense	(1,863)	(2,013)
Charitable Contributions	(183)	(247)
EBITDA	$27,069	$25,270
Reconciliation to net income:		
EBITDA	$27,069	$25,270
Depreciation and amortization	(9,291)	(8,414)
Investment income	784	267
Interest expense	(704)	(788)
Equity in earnings of affiliated companies	206	53
Gain from the sale of investment	--	13,071
Other	36	(4)
Income tax provision	(4,840)	(7,877)
Net income	$13,260	$21,578

Other Income (Expense)

In the first half of 2021, investment income increased by $0.5 million primarily due from Patronage distributions of $0.3 million and the Company's investment in Aureon Network Services, Inc. of $0.3 million offset by a decreased of $0.1 million in the money market fund.

Equity in earnings of affiliates were $0.2 million primarily attributed to the Company's investment in DFT Communications and Kansas Fiber Network.

Interest expense decreased by $0.1 million primarily due to a $40.0 million reduction in our credit line borrowings in the first six months of 2021 as compared to 2020.

On January 2, 2020, the company recognized a $13.1 million gain on the sale of investment in MODOC.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for 2021 and 2020 represent effective tax rates of 26.7% and 26.7%, respectively.

Net Income

Net income for the first half of 2021 was $13.3 million, or $724 per basic and diluted share. The 2020 net income was $21.6 million, or $1,139 which includes $508 earnings per shares stemming from the sale of MODOC. For the first half of 2020 earnings per share excluding the gain from the sale of MODOC, net of tax, totaled $631

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

In January of 2020, the Company closed on a five-year, $50.0 million unsecured Revolving Credit Facility with CoBank. In addition to extending the Revolving Credit Facility through 2025, the loan facility is unsecured, provides for lower borrowing rates, and has more flexible terms. As of June 30, 2021, there was $10.0 million outstanding under the $50.0 million facility. The average balance outstanding under the facility was $25.9 million at an average interest rate of 2.13%.

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, 2021, 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, notes to sellers	$12,325	$590	$4,088	$7,647	--
Revolving credit facility, principal only	10,000	--	--	10,000	--
Interest on debt and notes	3,740	871	1,783	1,086	
Operating leases	4,429	865	897	601	2,066
Total contractual cash obligations and commitments	$30,494	$2,326	$6,768	$19,334	$2,066

As of June 30, 2021, total debt was $22.3 million, a decrease of $40.9 million from December 31, 2020, which represented an average interest rate on debt outstanding at 4.1% interest. The revolving credit facility contains certain covenants and restrictions.

As of June 30, 2021, LICT had current assets of $54.9 million and current liabilities of $12.6 million resulting in working capital of $42.3 million compared to $48.4 million at December 31, 2020.

Sources and Uses of Cash

As of June 30, 2021, cash was $36.5 million, as compared to $67.3 million at December 31, 2020. During the first six months of 2021, the company paid down $40.0 million of the CoBank revolving credit facility offset by a $15.7 million return from its 2020 deposit of $20.0 million related to FCC spectrum auction 107. The FCC announced the results of this auction on February 24, 2021, and the Company acquired three licenses for $4.3 million. In the first six months of 2021, net cash provided by operations of $19.7 million was primarily used to invest in plant and equipment ($14.7 million), and purchase treasury shares ($10.0 million).

In the first six months of 2021, capital expenditures were $14.7 million in 2021 as compared to $12.9 million in 2020.

Since 2008, the Company continues to take 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's Board of Directors has authorized the purchase of up to 9,630 shares of the Company's common stock. During the first six months of 2021, 453 shares of company stock were purchased at an average investment of $22,207 per share. Through June 30, 2021, we have purchased 8,630 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..

2021 Projections – LICT's guidance for 2021 revenue and EBITDA remains unchanged with revenues of $127 to $131 million and EBITDA in the range of $58 to $60 million. LICT's guidance on capital expenditures is increasing to a range of $31 and $33 million as we have increased deployment of fiber in the communities we serve. The effect of the COVID-19 pandemic may impact revenue growth, in the second half of 2021.