LICT CORPORATION

2020
ANNUAL REPORT

LICT Corporation

(Y)our Family

COMMUNICATION • EDUCATION • ENTERTAINMENT

DATA • TECHNOLOGY • VOICE • VIDEO

Financial Highlights

(Unaudited, in thousands, except for share amounts)

Calendar Year	2020	2019	2018
Revenues	$124,174	$117,958	$114,135
EBITDA from Operating Units	57,554	54,546	55,092
Capital Expenditures	28,232	26,432	21,401
Net Income from continuing operations	37,268	26,391	25,419
Diluted Earnings Per Share	1,982	1,352	1,254
Diluted EPS Excluding One-Time Events[a]	1,336	1,262	1,134
Shares outstanding at year end	18,533	19,188	19,931

(a) One-time events excluded from EPS calculation, net of tax 2020, Sale of Modoc and AWS Topeka Spectrum. 2019 and 2018 includes distributions from an affiliated entity that secured a contingent payment.

Giving Back

(Y)our "S" in ESG

Calendar Year	2020	2019	2018
Shareholders	$ 893	$1,038	$2,345
Teammates	247	234	132
Total Contributions	$1,140	$1,272	$2,477

The "S" IN ESG

The following charities were beneficiaries of LICT Corporation's Shareholder and Teammate Charitable Contribution Programs

"THE MORE YOU GIVE, THE MORE YOU RECEIVE"

American Cancer Society of Kansas♥American Legion♥Argonia Friends Church♥Anderson Japanese Gardens♥Barclay College♥Bear Lake Valley Health Care Foundation♥Bear River Ranch Project♥Bethany Baptist Church♥Beyond Type 1♥Build,Inc♥Butte Valley Ambulance Service♥Butte Valley Montessori Children's' House♥Butte Valley Youth Sports♥Calamus Wheatland Elementary Boosters♥Camp Courageous♥Casa of Menominee County♥Children's Museum of Klamath Falls♥Christa McAuliffe Space Center♥College Bound Opportunities♥Columbus Citizens Foundation♥ Community Foundation of Teton Valley♥Community Nursing Services♥Congregation Beth El of Montgomery County♥Connor's Cuddles♥Cornelia de Lange Syndrome Foundation♥Country Clover 4-H Club♥Court Appointed Special Advocates♥Crisis Pregnancy Center♥Crispus Attucks Association of York Pennsylvania♥Cystic Fibrosis- Utah Chapter♥DCTV Downtown Community Television♥Delta Animal Shelter♥DeWitt FFA♥Discover Klamath♥Doris Volunteer Fire Department♥Dubuque Food Pantry♥Dubuque Regional Humane Society♥Eagle Ridge High School♥East End Hospice♥Feeding America♥First Baptist Church♥Flying Fox Chinese Sports Council♥For the Kids♥Foundation of Human Understanding♥Friends Disaster Services♥Friends of Argentine Tango♥George School Fund♥Gilda's Club♥Goldie Initiative♥Good News Media Inc.♥Great Northern Services♥Great Valley Presbyterian Church♥Greater Tomorrow Relief Fund♥Hand in Hand♥Hands of Hope♥Haviland Friends Church♥Heart and Vascular Institute Fund♥Helping Hands Humane Society♥Hidalgo Medical Services♥Holton Community Hospital Foundation♥Holy Cross Parish♥Hoof Prints of Hope♥Humane Society of Scott County♥Humane Society of Utah♥ICTSOS♥International Association of Lions Club♥International Foundation for Heart Research♥Investigative Project on Terrorism♥Iroquois Center for Human Development♥Israel Tennis♥Jackson County Community Foundation♥Jackson County Community Foundation♥JCADA of Greater Washington♥JDRF- Utah♥Jesuit College Preparatory School♥ Jewish Communal Fund♥Jewish Federation of Palm Beach♥Johns Hopkins University♥Jordan Education Foundation♥Juab School District♥Kiowa County Golf Course Development♥Kiowa County Ministerial Alliance♥Kiowa County Veterans Memorial Foundation, Inc.♥Klamath Family Head Start♥Klamath Hospice, Inc.♥Klamath Humane Society♥Klamath Lake Counties Food Bank♥Lake Lundgren Bible Camp♥Legacy Ministries♥Los Angeles Regional Food Bank♥Lourdesbourgh Municipal Schools♥Make a Wish- Grand Rapids♥Meals on Wheels♥Mid County Non Profit Housing Corporation♥Millard School District♥Mills Plain Independent Hose Co. ♥Mills Peninsula Hospital Foundation♥Mount Sinai Hospital ♥Munson Manor Hospitality House♥Nebo School District♥New Horizon Christian Fellowship♥New York University♥North Scott Food Pantry♥NS School District Foundation♥Operation Underground Railroad♥Operation Wildlife♥Operation Tackle Box♥Organization for Autism Research♥Pathway Church Central Services♥PCC Foundation♥Philippines Humanitarian♥Planned Parenthood♥ Playcrafters Barn Theater♥Pratt Area Humane Society♥Pre-Born Pregnancy Services of Delta County♥Primary Childrens' Hospital♥Project Give♥Quad City Paws♥Purdue University♥Rainbow House Domestic Ranch♥Redemption Ridge♥Rich School District♥Ringling College of Art and Design♥Riverbend Food Bank♥Roots Charter High School♥Rural Senior Adult Services♥Safe Climate Transport Campaign♥Samaritan's Purse♥Sanpete Valley Hospital Foundation♥Sanpete Community Training Center♥Secular Aa, Inc.♥Sevier School District♥Shriners Hospital for Children♥South Sanpete School District♥Special Olympics Iowa♥Spectrum Academy♥Spertus Institute♥ St Joseph Parish♥St Jude Childrens' Research Hospital♥St Jude Childrens' Research Hospital♥St. John the Evangelist Church♥ St. John Lutheran Church♥St. Peter of Alcantara Church♥Sumner County Mental Health Center♥Taste Wise Kids♥The Axiom♥The Floating Hospital♥The Triad School♥Tintic School District♥Tiny Mighty and Strong Corp.♥Toole School District♥Topaz Museum♥Traverse Bay Childrens' Advocacy Center♥Tri County Safe Harbor♥Tulelake- Butte Valley Fair Friends♥Tunnel to Towers Foundation ♥United Way of Delta County♥University of Iowa Stead family Childrens' Hospital♥University of Utah Research♥Utah Domestic Violence Coalition♥Utah Food Bank♥Vera French Community Mental Health♥Veterans of Foreign Wars♥VFW Post 3673♥West Wendover School District♥WHYY PBS ♥ Wolf Hollow Rehabilitation Center♥YMCA - Eugene♥Young Life Tucson Metro♥Youth Core Ministries♥Youth Sentencing and Re-entry Project

Letter from the Executive Chairman and Chief Executive Officer

How does one even begin to summarize 2020?

Mario J.Gabelli
Executive Chairman
Chief Executive Officer
Team member since 1988

In economic terms it was a year that began with a 3.6% unemployment rate and ended with nearly $1 trillion in lost economic output and over ten million jobless Americans. In human terms, the cost of the COVID-19 pandemic is immeasurable, claiming over one half million lives, doubling the number of families experiencing food insecurity and straining relationships with family and friends. If it was not for the Federal Reserve's open checkbook and fiscal stimulus along with the miraculous speed of rolling out vaccines, the consequences of this insidious virus would be unfathomable.

Commitment to Community- (Y)our "S" in ESG

As essential workers, (y)our team remained fully operational and focused in order to provide much needed broadband to support the growing demands of the communities we serve, as residents entered, and some continue to live in, a virtual work and learning environment. Our teammates in the field followed CDC protocols and office personnel worked remotely.

To help our community members stay connected to family, friends, work, and school our teammates provided community WI-FI hotspots, joined the FCC's Keep America Connected Plan. LICT initiated charitable contributions not only for shareholders, but teammates, who designated funds and time to schools and local charities to support our communities. LICT provided $247,000 in donations to our teammates for allocation to 501(c)3 charities, where they believed the funds would do the most good.

We thank our teammates for their dedication to providing service in a time of need.

The Numbers- and Other

- Revenues in 2020 were $124 million versus $118 million in 2019. EBITDA grew to $57.6 million with capital expenditures of $28 million versus $26 million.
- We participated in two Spectrum Auctions: 105 and 107. We are committed to acquiring Spectrum, to serve our communities. Auction 107 results were a surprise as bidders paid over $90 billion for Spectrum.
- In the Rural Digital Opportunity Fund ("RDOF") Auction 904, there were no set asides for incumbent RLECs to serve the communities they know they can serve, therefore we were mostly frozen out by Satellite companies, construction companies and others.
- LICT ended the year with approximately $87.3 million of gross cash and debt of $63.2 million.
- We continue to look at acquisitions to help teammates bring service to existing and new communities.
- In 2020, we reduced our share count to 18,533 from 19,188 in 2019, or 3.4%. As in the past we continue to prefer that method in lieu of cash dividends as we repurchase shares below what we believe is our best estimate of intrinsic value.

In 2021 we will explore new avenues to grow shareholder value and put our capital to work.

We thank our community leaders, our teammates, directors, and shareholders for their confidence in all we do.

Report of the Vice President - Finance

Stephen J. Moore
Vice President- Finance
Team member since 2014

As was the case for so many, 2020 was a challenging year for LICT, our teammates and customers. Our mission to improve the communities that we serve was front and center as we worked to provide broadband connectivity needed to meet the demand created by virtual work and distance learning throughout the year. The challenges confronted were, and continue to be, significant. We believe that the solid financial base that we have built have positioned (y)our company to invest in and give back to our communities.

Beginning the year 2020 we set out to execute our business plan to complement our mission. We quickly realized that we had no choice but to be flexible and alter the plan to accommodate for major challenges that everyone was facing. For the year, (y)our company:

- Gave back to our communities through charitable donations of $1.1 million in the names our shareholders and team members. We have made over $6.0 million in charitable donations over the past four years.
- Invested $28.2 million in our network to expand our fiber plant and increase high speed data services to a growing number of consumers and businesses in the rural markets we serve.
- We ended the year with cash of $87.3 million and outstanding debt of $63.2 million for a net cash position of $24.1 million.

COVID -19 response:

The COVID-19 pandemic and the related "shelter at home" mandates that were in place during the year have significantly amplified the importance of voice and broadband services for education, work, personal health, and staying in touch with loved ones. We firmly believe that it is our responsibility to step up and do our part when our communities are in need. Our charitable contribution program which began in 2015 is an example of this. In addition, during the year we offered free or discounted internet connectivity to families with school aged children that need connectivity for distance learning; and set up community WI-FI hot-spot locations to make sure that all community members can safely stay connected to information and loved ones.

Operating Results

- Revenues were $124.2 million in 2020, an increase of 5.3% from 2019 driven by a $6.5 million increase in non-regulated revenues.
- EBITDA from Operations was $57.6 million in 2020 which was a $3.0 million or 5.5% increase, driven by a $3.9 million increase in non-regulated EBITDA offset by a $0.9 million reduction in regulated EBITDA compared to 2019.

	Year Ended December 31,		Increase	
	2020	2019	(Decrease)	Percent
	(In Thousands)			
Revenues				
Regulated	$62,829	$63,067	$(238)	(0.4%)
Non-regulated	61,345	54,891	6,454	11.8%
Revenues	$124,174	$117,958	$6,216	5.3%
EBITDA				
Regulated operations	$30,914	$31,795	$(881)	(2.8%)
Non-regulated operations	26,640	22,751	3,889	17.1%
EBITDA from operations	57,554	54,546	3,008	5.5%
Corporate expense	(3,652)	(3,876)	224	(5.8%)
Charitable donations	(1,140)	(1,272)	(132)	(10.4%)
EBITDA	$52,762	$49,398	$3,364	6.8%

Operations – We are proud of our operational achievements in 2020. Our subsidiaries were able to increase broadband speeds for our customers while adding new services, expanding our network territory to expand our addressable market and drive overall revenue growth. Our attention to non-regulated revenue growth was evident in our results with 11.8% year over year growth. We will maintain this focus on non-regulated revenue growth in 2021 in an effort to balance our regulated and non-regulated revenue streams.

Key accomplishments – during 2020, we have completed several strategic transactions which position us to grow and create value by leveraging our financial strength. These transactions include:

- **$50MM unsecured credit facility –** In January of 2020, we closed on a 5 year, $50 million, unsecured Revolving Credit Facility with CoBank. In addition to the significantly simplified loan structure the new loan facility extends the term through 2025, provides lower pricing, improves the covenant structure, and provides greater flexibility to make charitable contributions, acquisitions, and shareholder compensation.
- **Sale of MODOC Cellular Partnership –** The sale of LICT's interest in the MODOC Partnership generated $16.9 million in proceeds which boosted LICT'S cash position, financial condition, and overall flexibility. This transaction concluded a very successful partnership with Verizon Wireless, and we continue to have a strong business relationship with Verizon.
- **Sale of Topeka AWS spectrum –** The sale of the Topeka Kansas AWS spectrum license for $3.9 million which closed in November of 2020.
- **Participation in three FCC Auctions -** During 2020, the company participated and was the winning bidder in several markets in three separate FCC auctions, Auction 105 CBRS, Auction 904 RDOF and Auction 107 3.7 Ghz.
- **Share repurchases -** During 2020, the company repurchased 655 shares, or 3.4% of our outstanding shares, at an average price of $16,821 per share for a total of $11.0 million.

2021 Outlook – In 2021, our focus is to continue increasing both our speed and footprint of highspeed broadband connectivity for the communities that we serve. We will continue to invest in, and emphasize expansion of, our fiber network to grow our revenue base.

With the continued growth of our non-regulated services combined with stable regulated revenues, mostly due to A-CAM, and a focus on controlling expenses, we are expecting that our EBITDA and net cash position (cash, cash equivalents, and liquid deposits less debt) will continue to grow through the end of 2021. We expect total revenue to grow by 3% to 4%, EBITDA from Operations to grow by approximately 2% to 3%, and our capital investment to be in line with our 2020 capital spending. Our current financial condition and credit facility have us well positioned to continue our capital expenditure program and at the same time having the flexibility for acquisitions.

Our commitment to our communities, our customers, and our business plan is unwavering while the economic future remains uncertain. We will continue to remain flexible and available to our communities, as we begin to navigate an exit from the height of the COVID-19 pandemic mandates. We understand the importance of high-speed data connectivity, and we are dedicating our effort to delivering broadband to the largest number of residential and business customers possible.

Stephen J. Moore
Vice President- Finance

(Y)our Teammates

CS Technology (Iowa/Wisconsin) - Greg Adams, Nick Averkamp, Tyler Bindrum, Quinlan Buehner, Steve Collier, Jerry Cullen, Tony Dahms, Kent Dau, Bruce Duling, Deb Egli , John Ewert, Justin Fulton, Chris Garrison, Constance Gronemus, Amber Hendricks, John Holland, Dylan Huizenga, Joyce Kemp, Merri Leigh, Mike Lewis, Brent Lindle, Jesse Longhenry, Kent Mattoon, James Neyen, Jolene Pingel, Deb Schuppener, Abigail Stolley, Robert Villarreal Jr., Dayna Wilberding, Donn Wilmott

Cal-Ore Telephone (California/Oregon) - James Anderson, Lori Anderson, Mario Andreatta, Michael Atkinson, Sabino Bocanegra, Charles Boening, Danielle Burrow, Bryan Coutier-Coates, Kevin Donahue, Jeremy Estep, Marc Estep, Carolyn Field, Kevin Fine, Shania Hardwick, Tamara Harper, Robert Hensley, Paul Hensley, Melinda Hill, Joleen Hogan, Elizabeth Jimenez, Yvonne Kilano, Trey Liblin, Dan Morrison, Keith Nielson, Kristi Olson, George Ormsbee, Shannon Pannell, Ana Marie Perez, Marcus Silva, Jennifer Skoog, Ryan Stevenson, Joan Tennison, Andrew Ulbricht, Scott Wimp, Rodney Wood, Waihun Yee

Haviland Telephone (Kansas) – Brandon Adams, Alex Brensing, DeAnn Baker, Rochelle Barber, Vesta Charbonneau, LaDonna Erker, Sabrina Freeman, Mildred Hannan, Michael Harding, Nathan James, Lori Larsh, Sue Leppert, Kay Lewis, Steve Lewis, Robert Long, James Mevey, Ryan Oren, Sandra Raynes, Casey Smith, Jayci Smitherman, Brent Swingle, Diane Thompson, Jayne Thompson, Kevin Volavka, Mark Wade, Lyle Whitaker

JBN Telephone (Kansas) - William Atwood, Russell Bacon, David Callison, Jan Charles, Glenn Chiles, Brian Coffman, Sheri Cothran, Janet Curtis, Jeremy Dallas, Rita Davis, Taelor Belshe, Travis Feltner, Amanda George, Ben Jepson, Diane Kathrens, Lance Lyman, Susan McGhee, Travis Peek, David Schraer, Judy Sextro, Jacob Sherer, Jay Stewart, Austin Taylor, Jamika Teel, Christopher York, Brian Nelson, Daniel Mitchell, Kyle Edwards, Josh Lowery, Blaine Thruston, Jarrett Bell, Audrey Wade, Megan Millies

Michigan Central Broadband (Michigan) - David Barresi, Todd Beauchamp, Matthew Dale, Stacey Dani, Joe Dey III, Joey Dombrowski, Blaine Gadda, Bart Hall, Kyle Hovland, Sarah Hunt, Vicki Kakuk, Brent LaJoie, Gordon Leese, Aaron Matelski, Amanda Meade, Bruce Moore, Gerald Moyer, Timothy Nakkula, Valerie Parrish, Andrew Perttunen, Suanne Piche, Linda Rhode, Karen Rochon, Becky Schetter, Cathy Starzynski, James Temple, Edward Thoune, Lori Van, Ronald Wells, Christine Wolf, Lori Wolsker, Pat Roth

Western New Mexico Telephone (New Mexico) - Rudy Arambula, Valerie Barboa, Wayne Baxter, Matthew Brown, Patrisha Jo Bryant, Rylan Carver, Becky Cooper, Jeromy Curnutt, Matt Favre, Lisa Feigley, Willie Fletcher, Elizabeth Gardner, Wendy Gerleve, Kyle Goar, Jackie Gonzales, James Guck, Mariah Guck, Jonathan Hawkins, Evelyn Jerden, Jason Jimenez, Marvin Kartchner, Helen Keen, Jack Keen, John Keen, Billie Knight, Aaron Laney, Tyler Leyba, Alex Lopez Natasha Lopez, Tamra Ann Manning, Nancy May, Michael Montoya, John Munoz, Gary Nicklaw, Vanessa Orosco, Carrie Rice, Belinda Rogers, Stewart Rooks, David Rowell, Sandra Ruiz, Melissa Saenz, Leburt Saulsbury, Dana Scarborough, Bill Stroman, Justin Taylor, Jane Tibbs, Brendan Trujillo, Gary Trujillo, Vince Vega, Donald Washington, Shelli Watkins, Marci Watson, Kory Webb, Brian Williams, Brian Williams, Kandra Young, Harold Zuni

CentraCom (Utah) - Aaron Davis, Abdiel Silva, Alexander Rugg, Alexandra Roundy, Alexia Anderson, Alisa Faatz, Angela Galbraith, Ann Nielsen, Arlene May, Austin Hathaway, Barrett Hilton, Benjamin Pehrson, Bert Cox, Bradley Welch, Bradly Hardy, Brandon Childs, Brandon Weatherston, Cade Eliason, Calvin Shelley, Carl Cornista, Casey Cox, Clint England, Cory Cox, Dan Kendall, Daniel Barton, Daniel Madsen, Daniel Roberts, David Barlow, David Barton, Dennis Sampson, Donald Cohee, Duane Jensen, Eddie Cox, Eloisa Lemus, Eric Forbush, Erin Williams, Eris Cloward, Faylyn Catmull, Freddy Soriano, Gayle Earl, Iven Cox, Jakob Howcroft, James Maendl, Janet McFarland, Jason Anderson, Jason Cox, Jason Hathaway, Jason Lewellyn, Jeff Petersen, Jeffrey Cox, Jeramy Johnson, Jerry Johnson, Jess Earl, Jolynn Peterson, Jonathon Gale, Jose Soriano, Julie Hansen, Julie Nielsen, Kaleb Litster, Keller Wheeler, Kenneth Carlson, Kenny Roberts, Kenyon Anderson, Kevin Arthur, Kevin Dutt, Kirk Christensen, Kolten Kendall, Kord Staples, Kristene Hansen, Kristie Ison, Laramy Draper, Larry Hawkins, LaTaya Boylan, Les Haskins, Lexi Welch, Lissette Mendez, Lynn Litnak, Manase Tesi, Mark Larsen, Mary Gavrila, McCall Manning, Megan Hansen, Michael Roberts, Mike Plows, Monte Christensen, Nathan Abrams, Nathan Palmer, Pam Rigby, Parker Earl, Patrick Coates, Paul Peckham, Paul Rymer, Randy Stewart, Reina Espinoza, Richard Carpenter, Richard Johnson, Robert Jenkins, Robert Labrum, Robert Nielsen, Samuel Fineanganofo, Sean Rawlinson, Shayne Thompson, Sione Taufa, Staci Turner, Sterling Monk, Steven Cox, Swen Cox, Tammy Bowers, Tanner Nelson, Tanner Spaulding, Taylor Thompson, Timothy Beesley, Todd Anderson, Todd O'Neal, Tory McArthur, Travis Williams, Trayson Thompson, Trevyn Tucker, Tyler Schlappi, Tyrel Sackett, Virgil Chappell, Wesley Brailsford, Zach Naumu

Report of the Senior Vice President – Regulatory Dynamics

Evelyn C. Jerden
Senior Vice President
Regulatory Dynamics
Team member since 1992

It is an understatement that 2020 was challenging year in so many ways. High-speed broadband services became extremely important throughout the world and within our communities in particular. LICT responded to the challenge, by providing new or upgraded broadband service to our residential and business customers to facilitate access to remote work, distance learning, telemedicine and connection with friends and family. Our employees achieved this as increased safety protocols were taken in each particular state.

LICT believes in giving back to the communities that we serve, and as such committed in March 2020 to the Federal Communications Commissions' ("FCC") Keep Americans Connected Pledge to not disconnect customers financially impacted due to COVID-19 through June 2020. LICT continued throughout the year to work with customers impacted financially by COVID-19. LICT is currently implementing the new voluntary FCC Emergency Broadband Benefit program funded by the Consolidated Appropriations Act passed in December 2020 to provide financially impacted customers with discounts for broadband service.

The FCC's Alternative-Connect America Cost Model ("A-CAM") methodology continues to provide LICT with stable, predictable revenues in exchange for the build-out of broadband services in our RLEC territory. LICT continues to expand broadband services to our customers and meet the stringent compliance requirements that the various FCC support programs require.

LICT continues to bring high-speed data service to customers located in extremely high-cost, difficult-to-serve, rural portions of our nation which both State and Federal USF mechanisms support. LICT works vigilantly to keep our State USF revenues in our California, Kansas, New Mexico and Utah operations.

We know the need for increased broadband speed and reach will continue to increase exponentially into the future. LICT is confident that we are well-prepared to successfully meet our customers' needs.

Evelyn C. Jerden

Utah

Eddie L. Cox (l) -President
I. Branch Cox (r) - Chief Executive Officer Team members since 2001

2020 was unlike any other year. In spite of the many challenges faced as a result of COVID 19, the CentraCom team worked diligently to provide the broadband services that our communities required. The pandemic and the various responses only intensified the need for our broadband service as many of our customers transitioned to remote work and distance learning. It was also critical for our team members during the periods that we had to limit our in-office presence.

In response to the COVID19 pandemic and the challenges that many have faced, CentraCom pledged to the Keep Americans Connected Initiative that ensured people did not lose their broadband or telephone connectivity as a result of these exceptional circumstances. And as the students were released from schools to continue their education with online learning, CentraCom connected over 400 homes at no charge for the remainder of the school year. In addition, CentraCom offered complimentary speed upgrades to existing customers that had students participating in remote learning in the home.

CentraCom dramatically increased support to local schools and communities because of the restricted event attendance due to COVID19. The Local10 streaming of local events and high school activities experienced an incredible viewer increase both state and nationwide. CentraCom lived-streamed 830 events, resulting in over 131,000 unique users and 1,250,000 page views. A 300% increase from the previous year. This has resulted in incredible brand reputation and recognition in the community.

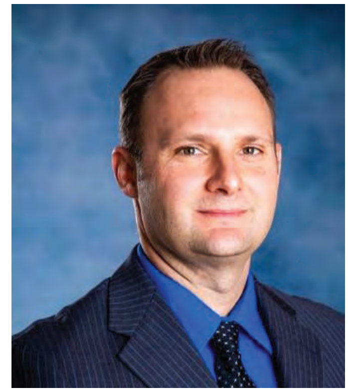
CentraCom has continued to expand our fiber network throughout Utah, adding fiber facilities along the Wasatch Front and in the rural areas of Utah. The company now has over 1,682 route miles of fiber; this is an addition of 161 route miles of fiber in a single year.

CentraCom also continues to see unprecedented growth in broadband services via our cable modem, fixed wireless and FTTH. In 2020 there was a net addition of 2,129 broadband customers representing 14% growth. At the end of 2020, the company had 17,228 residential broadband customers.

In 2021, CentraCom is looking forward to continued growth in our operations, as well as supporting the communities we serve.

Branch Cox
Eddie Cox

Western New Mexico



Daniel Meszler
General Manager
Team Member since 2019

Western New Mexico Communications and Telephone companies operate in approximately 17,000 square miles of Southern New Mexico. We currently have over 5,000 miles of plant of which includes over 820 miles of fiber optic cable. In 2020 approximately 23 miles of fiber was installed to support the operations.

WNM remains dedicated to the communities it serves as we begin to recover from the Covid-19 pandemic. Since the beginning of the pandemic WNM has donated one-hundred Chromebooks to local schools giving students the resources they need to be successful while distance learning. A charitable contribution was also made to HMS, a 501(c)(3) non-profit, community-based health care system providing rural healthcare to many in Southwest New Mexico. WNM additionally provides WIFI hotspots throughout the communities we serve allowing for added connectivity for those in need. Annually, WNM has supported over 50 local organizations in one fashion or another and is well known for its charitable assistance to the communities it serves.

The WNM Communications Team ("WNM") continues our expansion efforts of broadband fiber delivery in strategic areas along with wireless delivery solutions to continue accessing available marketable businesses and residences. The use of 5ghz wireless as well as newly acquired licensed frequencies provide the capability to provide high bandwidth solutions to additional customers while still providing a cost-effective capability for access to small businesses and residential consumers. WNM continues to enhance and expand its service footprint along with increased business products solutions for commercial clients while also providing bundled services of internet and IPTV for residential consumers.

Total Revenues grew by 5% year over year, driven by the greater than 19% Non-Regulated growth due to increased residential and business connectivity. Total EBITDA grew by approximately 4.6% year over year, with Non-Regulated EBITDA growing by approximately 18%. This performance was directly related to increased market footprint, increased operational efficiency, additional growth in residential homes served and finally increased commercial product connections.

Western New Mexico consistently analyzes its opportunity to increase operational efficiency while increasing high-speed broadband offerings and market footprint for business and residential customers. We continue to push towards our vertical target markets such as Healthcare, Banking, Educational and Municipal opportunities. The inclusion of cost-effective internet and TV solutions for residential consumers adds to the in growth of subscribers. Additionally, we continue to offer supplementary business solutions such as products in SD-WAN, Failover and Redundancy services, Last-Mile solutions, Wireless/WIFI Management and other products that provide added value to commercial clients.

The continued leveraging of WNM localism, expansion of services, delivery platforms and focus on efficient operational performance will allow the organization growth in the communities we serve. We are excited about the opportunities ahead in 2021.

Daniel Meszler

Michigan

Bruce Moore
General Manager
Team member since 2016

During this challenging time, Michigan Broadband Services has been, and remains extremely focused on serving the changing needs of our customers while keeping our teammates safe . We are keenly focused on delivering higher speed and reliable broadband services to our valued customers which has resulted in the achievement of significant operating results in 2020.

The company grew our broadband customer base as well as our residential revenue by seven percent in 2020 which is a byproduct of completing our fourth year of A-CAM buildout. Our technical team focused on ensuring Michigan Broadband Services networks were engineered to stay ahead of the incredible additional bandwidth demands created by COVID 19 restrictions, namely, forcing remote work and learning throughout the communities we serve. Our focus remains offering higher speeds, including FTTH, to our valued and prospective broadband customers in all markets.

With nearly thirty miles of competitive fiber in our expansion markets in place, our competitive business continues to make great strides earning new business in both communities of Escanaba and Traverse City. In 2020, our year over year revenues more than doubled despite the uncertainty and shut down for much of the year in Michigan. Our fiber networks are adding key economic value. Our year was highlighted by earning the opportunity to deliver high speed broadband to the new 240-unit Breakwater Apartment building in Traverse City. This key account is now an anchor customer trusting Michigan Broadband to serve the streaming service demand from this property.

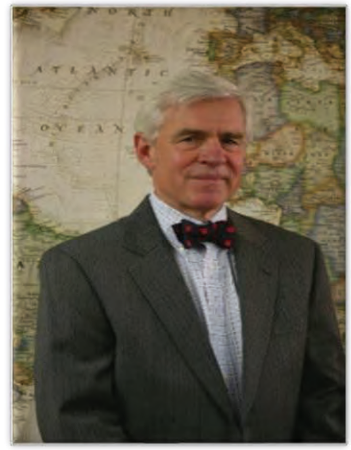
In 2020 the company invested in the telephone exchanges of Smoky Lake, Scott Point and Manistee River. These remote operating properties signify the importance of our mission to bring modern broadband speeds to our customer base previously significantly underserved due to their remote geographic location. Our customers report being thrilled with our commitment to deliver as promised in 2020.

Our teammates participated in donating to selected nonprofit organizations in our communities as a part of the LICT commitment to give back to the communities that we serve.

My team and I are looking forward to continuing our efforts in 2021, to serve our communities and increase our broadband speed offerings and the reach of our networks. With this focus, we are confident in our ability to deliver shareholder value as a member of the LICT family.

Bruce K. Moore

Kansas



Mark Wade
President
Team member since 1990

The Kansas LICT companies include 2 ILEC's, J.B.N. Telephone and Haviland Broadband, which provide traditional broadband and voice services, in 27 small towns. Under these brands, we serve about 3,500 traditional phone subscribers, 3,600 broadband customers, and about 500 out-of-area broadband subscribers. Giant Communications, Inc., our Kansas non-regulated services company, provides broadband and TV and phone services in Holton and 9 other towns in northeast Kansas. Primarily residential in these areas, Giant serves approximately 2,200 cable modem broadband subscribers and just over 900 CATV customers. Giant also provides broadband to some 800 subscribers in these areas via fixed wireless or Fiber to the home ("FTTH").

2020, the year of Covid-19, is also a year of change as the pandemic required flexiblity. During the year we closed our offices to customers, then to employees, who worked from home. We worked with 16 schools to provide broadband-related services during the height of the pandemic. We provided free internet to nearly 200 student locations and free public Wi-Fi hotspots to 40 locations. We continued the LICT employee giving program to our communities. We modified home and business installations to meet safety protocols.

COVID 19 restrictions amplified the need for high-speed broadband services throughout our communities. In the first quarter of 2020, our year-over-year customer subscribership growth was in the 6% range. By the second quarter, it was greater than 10%, and by year's end, it was 14%.

Last year, the Kansas Department of Commerce began a new program for broadband expansion outside the normal regulatory regime, called Connectivity Emergency Response Grant ("CERG"). Our 3 companies applied for and were awarded monies for 6 projects. LICT bid on and was awarded protected spectrum in the Consumer Broadband Radio Service ("CBRS") FCC auction. Each grant used CBRS spectrum as the basis for the project.

Giant continues to expand into the Topeka area, by installing fiber along two major business routes. We also continue to aggressively place fiber for customers in and near the Jefferson and Jackson County areas.

Haviland continues its close relationship with the town of Greensburg. We will complete the fiber build-out in 2021. We significantly increased internet speeds, reach and reliability and will continue to provide broadband service subscribership.

The Kansas operations developed primarily in and around rural service areas and reflect the originating families' commitment to their communities' rural values. Investment in our networks to improve broadband speed and reliability needed by our subscribers is the most significant contribution we can make to our rural communities.

Mark Wade

California-Oregon

Dan Morrison
General Manager
Team Member Since 2013

Cal-Ore Telephone (COT) and affiliates provide regulated voice and broadband services along the Oregon Border in NE Siskiyou County, California and NW Modoc County, California. Cal-Ore Communications (COM) provides non-regulated services in southern Klamath County, Oregon and along the Interstate 5 corridor in Siskiyou County, California.

Non-regulated revenue grew by 12.6% percent in 2020 through expanded build and sales efforts. Regulated revenue showed an expected decrease of 5.6%, due to reductions in regulated support amounts. Combined EBITDA rose 1.3%. Cash generated from operations (EBITDA less CapEx) was $1.5M, a 53% increase over 2019.

Cal-Ore finished 2020 with 480 route miles of fiber and 708 miles of copper, building our network reach and providing even more access to rural communities. In 2020 Cal-Ore was awarded both Rural Digital Opportunity Fund (RDOF) census blocks and Citizen Band Radio Service (CBRS) frequencies, both of which provide tools for us to continue to bring reliable broadband to rural Northern California and Southern Oregon. In 2021 we will not only be working on expanding service areas, but also increasing the speeds available in each area that we serve.

In 2020, Cal-Ore lived our brand promise of Local, Trusted and Professional; continuing to work diligently to serve our communities during the COVID-19 pandemic. Cal-Ore was able to provide uninterrupted critical broadband service and support functions to keep our customers connected. We stepped up in new ways to serve the people we have spent decades with, building personal and professional relationships. A couple key examples were providing extra bandwidth or free broadband connections to area health service facilities to help them wherever possible. Our outside plant personnel reported for work throughout the year, following all CDC and OHSA COVID-19 guidelines to keep our customers connected and add new customers. We continued to meet local needs for remote access to school, work and information resources. Our office staff was able to quickly adjust to a mixture of work from home and in office work to provide the level of support our customers have come to expect. Our networking team kept everything behind the scenes running smoothly. Although 2020 was challenging for all our communities, we were happy to do our small part. Cal-Ore continued our annual donation programs to many worthwhile charitable and service groups in 2020, a tradition that will carry on in 2021.

In 2021 the Cal-Ore team will continue to work hard to achieve results, and to support our customers and our team members, while keeping our focus on the communities we serve. We remain committed to strengthening the communities in which we live and work. We are excited about the many opportunities we have in 2021 to add higher bandwidth fiber-optic facilities to local schools, hospitals and homes. In addition to bringing our fiber and high-speed wireless to more under-served communities and customers.

Dan Morrison

Iowa and Wisconsin

Donn Wilmott, General Manager
Team member since 2010

Like all of America, our operations in Iowa and Wisconsin could not escape the impacts of COVID-19 in 2020. We acted swiftly to help the multiple communities we serve and the children of our local school districts that had no internet at home. In doing so we activated public WiFi hotspots in the parking lots of a local library and two nearby churches. We implemented Internet access in homes that required Internet for distant learning in cooperation with our local school district.

2020 also bought new construction in Wisconsin expanding rural capabilities for 1,108 homes as we began FTTH construction. This four-year project is expected to wrap up in 2023. As we enter 2021 the town of Eldridge, Iowa commits to a FTTH buildout. Once completed in 2023 it will bring an additional 1,775 homes onto fiber. Fueling these increased FTTH investments are strong financial results. In 2020 we started to utilize fixed wireless solutions to improve broadband services to some of our more remote customers, where fiber cannot currently extend.

Iowa and Wisconsin revenues, in 2020, totaled $13.2 million producing EBITDA that exceeded $5.9 million. Our growth is expected to continue both organically and potentially through acquisition. Given the right opportunity, operational metrics and timing we are ready to execute on our next acquisition.

As we continue to grow our speeds and reach we will continue to invest in our facilities and continue to provide personalized high-quality service to our customers. Our customers have come to expect and value the quality of service that our team members provide, and we are committed to continue to meet these expectations. We provide the best service at a price where our customers see value.

Deb Egli, General Manager
Team member since 1988

Our CS Technologies CLEC operations in 2021 and beyond will continue to leverage the capital investments made in the Quad Cities and Dubuque, Iowa markets. Thirty percent of our revenues and forty percent of our EBITDA in 2020 continues to come from our CLEC operation. Transitioning UNE-L customers to fiber leads to higher facility-based margins helping us to preserve the margins we have built in our CLEC operations.

Donn Wilmott
Deb Egli

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DESCRIPTION OF BUSINESS

BACKGROUND AND HISTORY OF LICT CORPORATION

LICT Corporation ("LICT" or the "Company") was incorporated under the laws of the State of Delaware in 1996 as a subsidiary of Lynch Corporation (now "LGL Group Inc.") and was originally named Lynch Interactive Corporation. The Company was spun off from Lynch Corporation in 1999 and has been named LICT Corporation since March 2007. LICT's executive offices are located at 401 Theodore Fremd Avenue, Rye, New York 10580-1430. Its telephone number is 914-921-8821.

The Company, together with its subsidiaries, is an integrated provider of broadband, voice and video services. On the voice side, the Company has traditionally operated as both a Rural Local Exchange Carrier ("RLEC", an incumbent local telephone company serving a rural area) and a Competitive Local Exchange Carrier ("CLEC", a local telecommunications provider which competes with the incumbent telephone company). It provides high speed broadband services, including internet access, through copper-based digital subscriber lines ("DSL"), fiber optic facilities, fixed wireless, and cable modems. The Company also provides a number of other services, including video services through both traditional cable television services ("CATV") and internet protocol television services ("IPTV"); Voice over Internet Protocol ("VoIP"); wireless voice communications; and several related telecommunications services. As used herein, "LICT" and the "Company" include our subsidiaries.

The Company's business development strategy is to expand its existing operations through both internal growth and acquisitions. It may also, from time to time, consider the acquisition of other assets or businesses that are not directly related to its present businesses.

In 2007, we spun off shares in a wholly owned subsidiary named CIBL, Inc. ("CIBL") to our shareholders. The Company continues to provide management services to CIBL for a total of $125,000. In 2010, we spun off ICTC Group Inc, ("ICTC"), which consisted of two broadband telecommunications companies operating in North Dakota, Inter-Community Telephone Company, LLC (an RLEC) and Valley Communications, Inc. (a CLEC), to our shareholders. Both spin-offs have benefited the Company and the spun-off entities in a number of ways, serving to optimize their efficiency and future development.

On October 18, 2018, ICTC was acquired by a neighboring North Dakota ILEC and LICT shareholders, if they retained their shares, received $848.25 (acquisition price per share of $65.25 times the spin-off ratio of 13 ICTC shares for each share LICT owned in 2010).

In 2014, we sold to the founding family, our DFT Communications ("DFT") subsidiary, which held the telephone companies serving Dunkirk/Fredonia and Casadaga, New York, as well as a CLEC operation. This sale generated additional liquidity for the Company and returned ownership of DFT to the Maytum family, who had originally founded the telephone companies over a century ago. As part of the transaction, we retained, and subsequently exercised, the right to acquire a 20% minority equity interest in DFT. This transaction has also benefited the Company as well as all in the community DFT serves.

On December 31, 2019, the Company completed the sale of its New Hampshire operations ("NH") to CIBL, a publicly traded company that was spun- off by LICT in 2007. The New Hampshire operation consists of the Bretton Woods Telephone Company a Rural Local Exchange Carrier serving the Mt.Washington/Carroll, NH area, and World Surfer, Inc., a Competitive Local Exchange Carrier serving the same area. NH's contributions to LICT's consolidated operating results and financial position have been separately reported from amounts previously reported in 2019 and 2018 as discontinued operations. LICT received 1,000 shares of CIBL common stock. The Company recognized an after-tax loss on the sale of approximately $388,000. The sale of NH enables the Company to focus on its core geographic area, the central and western parts of the United States. The Company will continue to provide management services to NH and CIBL for a total of $125,000 per year. LICT now owns approximately 6% of CIBL's outstanding common stock.

On January 2, 2020, LICT closed the sale of its 25% minority interest in the MODOC RSA Limited Partnership ("MODOC"). A subsidiary of LICT had acquired this interest in MODOC in 1988.

The Company's shares are quoted on OTC Pink® under the symbol "LICT". The Company has approximately 85 stockholders of record. LICT disseminates quarterly and audited annual financial statements as well as press releases to its shareholders and the financial community.

COVID-19

LICT is closely monitoring developments and is taking steps to mitigate the potential risks related to the COVID-19 pandemic to the Company, its employees and its customers. We provide essential voice and data services to our customers. To protect our employees while continuing to provide the communications services needed as many of its customers shelter in place, LICT adapted installation and repair service processes to limit customer contact and minimize employee contact with other employees. In addition, LICT changed technician dispatch procedures to further limit contact and provided personal protective equipment, including masks, gloves and sanitizing products. Customers must answer a series of screening questions before an appointment is scheduled and each technician is empowered to reschedule any in-person installation or repair if he or she determines that circumstances at the location present a health risk. Our teammates' dedication and work ethic have allowed us to continue providing critical services to our customers during this pandemic. Many of our office-based employees have been working remotely since the middle of March 2020. Travel remains restricted to limit the risk of our employees coming in contact with the virus.

LICT has made numerous accommodations to provide service to families in need. Through April 30, 2021 we have not seen a significant increase in accounts receivable. We have not experienced significant interruption to our normal materials and supplies process. It is not possible to predict whether COVID-19 will cause future interruptions and delays. We understand the challenges facing our customers as our employees live in the communities we serve and are affected by many of the same obstacles.

CARES Act

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted on March 27, 2020. There are several different provisions with the CARES Act that impact income taxes for corporations. While we continue to evaluate the tax implications, we believe these provisions will not have a material impact to the financial statements.

COMMUNICATIONS OPERATIONS

Broadband Data and Voice Services

Organization and Locations

We provide services through subsidiary companies. The broadband data and voice services groups have been expanded through the selective acquisition of RLECs and other service providers, and by offering additional services such as broadband internet access service, long distance, cable television service, VoIP and CLEC services. Since 1989, the Company has acquired thirteen RLECs, excluding RLECs which have been disposed of as described above. These operations range in size from approximately 800 to over 7,000 access lines and are in California, Iowa, Kansas, Michigan, New Mexico, Utah and Wisconsin. Related CLECs extend our operations into Illinois, Nevada and Oregon. At December 31, 2020, LICT's operations were deploying 5,211 miles of fiber optic cable, 11,490 miles of copper cable and 762 miles of coaxial cable.

Principal Products and Services:

Non-Regulated Services

Broadband and voice services. We provide non-regulated broadband services, including internet access and data transport, in our traditional RLEC territories and adjacent areas. We also provide local telephone and other telecommunications services outside certain of our franchise areas through CLEC operations in nearby areas. The Company has established CLECs in such varied locations as Dubuque, IA; the Quad Cities area (Davenport/Bettendorf, IA and Moline/Rock Island, IL); Holton, Wichita and Topeka, KS; Escanaba and Traverse City, MI; Las Cruces, Silver City and Deming, NM; Klamath Falls, OR; and Provo/Orem, UT.

Cellular backhaul and other data transport services. We have constructed several fiber optic facilities to cell tower sites and are continuing to expand these facilities. This allows us to participate in the growing demand for wireless broadband services and opens new broadband opportunities in our markets. We expect continued demand for transport services from the wireless providers as mobile data usage grows, and we have secured a number of long-term contracts that will help support our revenue growth objectives for years to come. In addition, we are experiencing significant demand from schools, health care facilities, government agencies and other public institutions for data transport, particularly at our operations in Utah and California.

Hosted voice services. Hosted voice services are a cost-effective, scalable alternative to traditional on-premise business telephone systems. We are currently serving 8,047 "seats". (A "seat" is the unit by which hosted voice services are sold. Seats are equivalent to the number of IP, or Internet Protocol phones, or devices, at the customer's premises that can access the hosted voice service.). We believe that this is an attractive service offering which we can deliver in large markets near our existing RLEC operations.

Subscription video. We provide CATV service in our Utah, Kansas, Iowa and Michigan locations, including cable modem service for high-speed internet access, and IPTV service in our Iowa operations. We have 4,406 video subscribers.

Traditional Regulated RLEC Services

Local network services. We provide telephone wireline access services to residential and business customers in our service areas with a full range of calling features including call forwarding, conference calling, caller identification, voicemail and call waiting. We also provide broadband services, historically by means of DSL technology but increasingly by fiber optic technology, to both business and residential users. In our RLEC service territories, the broadband penetration levels of our subsidiaries are currently in the 80% range. We are continuing our efforts to increase our broadband customer base and to expand our broadband services. We also offer packages of telecommunications services which permit customers to bundle their basic telephone line with their choice of enhanced services, or to customize a set of selected enhanced features that fit their specific needs. As of December 31, 2020, total voice lines, including both ILEC and CLEC, but excluding hosted seats, were approximately 31,461 as compared to 32,045 at December 31, 2019.

Network access services. We provide network access services to long distance and other carriers which involve the use of our network to originate and terminate interstate and intrastate telephone calls. Such services are generally offered on a month-to-month basis and the service is billed on a minutes-of-use basis. Access charges to long distance carriers and other customers are based on access rates filed with the Federal Communications Commission ("FCC") for interstate services and with the respective state regulatory agencies for intrastate services.

This table summarizes certain operational data:

	Years Ended December 31,		
	2020	**2019**	**2018**
Operations:			
Broadband Lines	19,446	17,427	16,937
Cable Modems	16,220	14,587	13,642
Wireless	4,159	3,379	2,697
Total Broadband Connections	39,825	35,393	33,276
RLEC access lines[(a)]	24,005	24,520	25,722
CLEC lines	7,456	7,525	7,301
Total voice lines	31,461	32,045	33,023
% Residential	76%	76%	78%
% Business	24%	24%	22%
Video subscribers	4,406	4,628	5,009
Hosted voice seats [(b)]	8,047	7,790	6,920
Total Revenues			
Local service	6%	5%	6%
Network access	45%	48%	50%
Non-Regulated businesses [(c)]	49%	47%	44%
Total revenues	100%	100%	100%

(a) An "access line" is a telecommunications circuit between the customer's establishment and the central switching office.

(b) A "seat" is the unit by which we sell Hosted Voice services. Seats are equivalent to the number of IP phones or devices at the customer's premises that can access the service.

(c) Non-Regulated Businesses include Broadband Data, CATV, Hosted Voice, IPTV, and several other related services.

Expansion and Development of New Products and Services. The Company continually seeks to introduce new services based on technological advances and expanding commercial initiatives. Our subsidiaries constantly seek to expand their service offerings beyond their regulated geographic territories, primarily by establishing and developing broadband connections in adjoining or nearby areas where economically feasible. This is accomplished by building facilities utilizing fiber optic and coax cable, along with fixed wireless solutions, directly to the customer premises to provide services; and leasing facilities from the local telephone company (the serving RLEC or, in non-rural areas, the Incumbent Local Exchange Carrier or "ILEC") or other carriers to reach customers.

As described in greater detail below, we expect future growth in operations to be derived from a broad range of activities, including the acquisition of additional telephone and communications companies; providing service to new customers, primarily through broadband connections; providing additional and expanded services to existing customers; upgrading existing customers to higher grades of service; and by new service offerings of our RLEC and CLEC operations.

The Company also continually evaluates acquisition opportunities. We typically seek companies with local management who will remain active with their company. Telephone holding companies and others often compete aggressively for the acquisition of such properties, and the acquisitions are subject to the consent or approval of regulatory agencies on the Federal and state level. In addition, any acquisition is subject to various risks, including the ability to find and complete the transaction at an attractive price, and to successfully integrate and operate the acquired entity. Although our evaluation of potential acquisitions is ongoing, there can be no assurance that we will be able to identify suitable transactions or to conclude them successfully.

All our current telephone companies offer broadband internet access service, either directly or through affiliated companies. At December 31, 2020, broadband access customers totaled 39,825, compared to 35,393 at December 31, 2019, a year-over-year increase of approximately 12.5%. Our companies have substantially increased their numbers of broadband customers, but this growth has been offset by a decrease in our traditional telephone service resulting from several factors, including competition from wireless and cable companies. Affiliates of all our telephone companies offer long distance and CLEC services. Several of our subsidiaries are providing and expanding VoIP service.

Below we offer a state-by-state review of our subsidiaries' expansion and development of new products and services:

Utah

CentraCom, based in Fairview, Utah, is successfully providing high-capacity Ethernet circuits over its extensive fiber network to schools, hospitals, government users, cell towers and private business facilities. The Company also continues to aggressively expand its CLEC business operations in the Provo/Orem, UT area. CentraCom continued to deploy fixed wireless broadband Internet to protect existing service areas by providing more adequate speed than the DSL was capable of at greater distances, and open up additional competitive service areas. The Company was able to add 738 subscribers for 62% growth from the previous year's numbers. CentraCom also continues to see unprecedented growth in cable modem Internet customers. In 2020, there was a net addition of 1,219 cable modem customers representing 10% growth. At the end of 2020, the company had 17,228 residential broadband customers. CentraCom continues to deploy Fiber to the Home ("FTTH") in many new subdivisions and has begun citywide deployments to increase speed and reliability to meet the additional broadband capabilities that the average consumer will need in the coming years. At year-end 2019, we deployed 187 FTTH customers, and in 2020, we added 392 customers for 210% growth.

New Mexico

In 2020, WNM Communications Corporation ("WNM") continued its expansion of broadband facilities to additional marketable service footprint areas by placing additional fiber optic miles, wireless platforms, and associated electronics to support the expansion of faster broadband services in the Regulated and Non-Regulated areas. The operations deployed additional fiber optic routes and wireless point to multipoint broadcast locations to increase the capability of the number of business and residences it can serve. This continued the activity of expanding marketable locations in serviceable areas for high bandwidth thru-put via fiber while also providing a cost-effective solution for residential and business internet. WNM is also increasing speed profiles and expanding its penetration of Non-Regulated areas in Las Cruces, Silver City and Deming NM markets. Non-Regulated revenue grew year over year by 19% along with EDITDA follow through of 18.1% growth. This performance was generated through increased operational efficiency via scale, additional deployments of business solutions and residential internet and IPTV in the markets WNM serves.

Kansas

Haviland Broadband, will compete its out-of-territory FTTH in the county seat of Greensburg, using a geographical marketing tool to pre-subscribe customers. The 2021 plan calls for beginning FTTH investment in Coldwater, the county seat for Comanche. We have substantial counts of customers on our fixed wireless broadband service. Not only will current fiber subscribers see speed improvements, moving wireless city customers to fiber service will improve service to rural wireless customers. In Greensburg, we now serve about 60% of the broadband and business services voice market, most of which were previously served by other providers.

In 2021, Haviland will complete FTTH in its largest town, Conway Springs. Our plan is to begin projects in other towns, where population and competition warrants. By 2022, we will have permanently have enhanced service of over 30% of our ILEC broadband subscribership with fiber.

JBN will also complete FTTH projects in 2 small ILEC towns in 2021. This will protect over 40% of this ILEC's broadband subscribership.

In 2020, J.B.N. Telephone deployed fixed wireless via CBRS and non-regulated spectrum around several of its rural areas. Although slower than FTTH, the cost is less than 10% of FTTH in the rural areas and time-to-market is much faster. In 2021, J.B.N. Telephone will complete an additional wireless spectrum augment near its Wetmore location.

Giant Communications, Inc., an affiliate of J.B.N. Telephone Company, has developed a substantial cloud-based voice service offering to businesses in Kansas, hosted on our equipment, and leveraging our existing switching equipment and data networks. In the metro Topeka area, most of the company's broadband, cloud, and managed I.T. services are provided over its own fiber. Currently, Giant serves nearly 600 business or school accounts in Wichita, Topeka, and our traditional CATV and ILEC foot-prints. In addition the company servse approximately 3,800 seats (the cloud equivalent of phone lines), a 6% growth from last year. Originally, most of these seats were served via re-sold internet services. But in the Giant in 2021will continue to extend our fiber network in Topeka out from the original encirclement, where it makes financial sense. The recently added feature set of our hosted voice service should provide additional value to mid-sized businesses for the future. The recent move of the soft functions to a virtual machine environment will also save us several iterations of hardware upgrades.

In Kansas, the CERG program becomes an 8-year program called Broadband Acceleration Grant ("BAG"). The Haviland operation was recently awarded a small project for 2021. Each company will aggressively make application to BAG each year.

The companies currently have 15 fixed wireless systems serving nearly 900 customers with speeds up to 50 megabits per second, and occasionally faster, using both protected and unlicensed spectrum, on both our tower facilities and others'.

Iowa/Illinois/ Wisconsin

CS Technologies, Inc. ("CST") provides CLEC services, both voice and data, in the Quad Cities and Dubuque, IA areas, primarily through its own facilities. CST has built a 20-mile metro fiber network in Dubuque. CST added an additional 20 miles of Metro Fiber in Davenport, IA to augment its existing 40-mile network. CST now serves approximately 1,300 CLEC customers and 4,900 lines in the Quad Cities and Dubuque.

Our commitment to FTTH in Cuba City, Wisconsin has created enhanced capabilities for our residents and businesses. A 2020 Cuba City with FTTH coupled to a diverse Internet backbone gives our Wisconsin customers a valuable alternative to the competition for their Internet service. Expanding on our in-town success we launched a 4-year plan to over build the rural exchanges of both Cuba City and Belmont, WI. Our June of 2017 884 home project is now being augmented with a complete rural build to an additional 1,108 homes. The first 640 are scheduled to complete in 2022 with the balance due to come on-line in 2023.

California/Oregon

Cal-Ore Communications is based in Dorris, CA, with offices in Klamath Falls, OR. The Company owns approximately 159 miles of fiber optic cable serving broadband customer needs. At year-end 2020, Cal-Ore Communications had 783 Wireless customers, 646 DSL customers and 940 VoIP customer lines delivered through on-net broadband connections. In 2021, Cal-Ore Communications will continue to expand in California markets including Mt. Shasta, Weed and Dunsmuir with fiber and high-speed wireless products and services. At year-end 2020, Cal-Ore Telephone had 1,111 residential lines and 558 business lines. Cal-Ore Telephone owns a total of 708 miles of copper cable and 479 miles of fiber optic cable.

Michigan

In 2020, Michigan Broadband Services added thirty-seven miles of fiber, along with associated new technology and continues to expand our ability to provide faster broadband connections to our valued customers. With 627 total miles of fiber combined in our regulated telephone exchanges and competitive fiber markets of Escanaba and Traverse City, we achieved a 126% year over year growth in our non-regulated revenues and 183% year over year EBITDA growth. Contributing to this growth was 189% growth in business-to-business fiber connections and other managed services revenues. Residential broadband revenues grew by 107% due to increased demand for services during the pandemic. Our ACAM construction plan continued in 2020 and the company's year-end milestones were achieved.

LICT Corporation Cautionary Note

There is no assurance that the Company can successfully acquire or develop new businesses or make acquired or expanded businesses profitable within a reasonable period of time. New businesses, and in particular any CLEC business, would be expected to operate at a loss initially and for a period of time. In addition, competition in the CLEC and other telecommunications businesses is substantial and may increase in the future.

Regulatory Environment. The LICT subsidiaries that provide telecommunications services are subject to varying degrees of Federal and state regulation. Our operating telephone companies are regulated by the FCC with respect to interstate telecommunications services and by state regulatory agencies with respect to intrastate telecommunications services. They are also subject to local government regulation in some instances, such as the use of local streets and rights of way. The FCC and the state authorities do not regulate all providers that come under their jurisdiction in the same way. While some regulation of ILECs has eased as competition has increased, in general, regulation of ILECs (which includes RLECs) remains more highly regulated and comprehensive than the regulation of CLECs. The extent and nature of regulation, by the FCC and by states, is evolving for various reasons, such as Congressional and judicial mandates, public policy decisions and other factors.

A-CAM

In 2020, no modifications were made to the FCC's Alternative - Connect America Cost Model ("A-CAM") and A-CAM II programs which was originally adopted in 2017. As of December 31, 2019, all of LICT's RLECs have voluntarily moved to a fixed amount of Universal Service Fund ("USF") support through A-CAM or A-CAM II in return for commitments to deploy broadband service to a certain number of locations. Both A-CAM and A-CAM II replaced the High Cost Loop Support ("HCLS") and Interstate Common Line Support ("ICLS") USF mechanisms.

From 2017 through 2019, the FCC made several modifications to the A-CAM program, described below, including introducing an additional program referred to as A-CAM II in 2019. The FCC required all affiliated companies in a state to make a unified decision to elect A-CAM and A-CAM II on a statewide basis.

A-CAM adoption by LICT was done as follows: 1) effective January 1, 2017, all of LICT's subsidiaries that were eligible to participate in A-CAM elected to do so. The LICT states and companies adopting A-CAM in 2017 were Michigan: Upper Peninsula Telephone Company and Michigan Central Broadband Company; California: Cal-Ore Telephone Company, Inc.; Iowa: Central Scott Telephone Company, Inc. and Dixon Telephone Company; Utah: Central Utah Telephone, Inc.; Bear Lake Communications Inc.; and Skyline Telecom; Kansas: Haviland Telephone Company, Inc.; and J.B.N. Telephone Company, Inc.; and New Mexico: Western New Mexico Telephone Company, Inc. and 2) in 2019, LICT's Wisconsin operations, Belmont Telephone Company, Inc. and Cuba City Telephone Exchange, Inc., adopted A-CAM II, which was retroactive to January 1, 2019.

Under the original FCC A-CAM funding mechanism, LICT's operations elected to receive a combined fixed payment of $23.3 million annually over the ten years 2017 through 2026. LICT companies in two A-CAM states, California and Iowa, has transitional reductions to their A-CAM payments beginning in 2017 and ending in 2021. The transitional amounts totaled $0.5 million in 2017 and are being reduced by $0.1 million per year. LICT's six original A-CAM states and companies received

$7.4 million of ICLS revenues in 2016 and $5.6 million of HCLS revenue in 2016 for a combined total of $12.9 million (compared to the $23.3 million of A-CAM in 2017).

In May 2018, the original A-CAM support was modified by the FCC on a voluntary acceptance basis, retroactive to January 1, 2017, with an associated increase in build-out requirements. LICT accepted the May 2018 voluntary increase in support so that LICT's 2018 A-CAM funding received was increased by $2.9 million annually to $26.6 million. In addition, LICT received an additional $2.9 million of A-CAM funding in 2018 for 2017.

On February 25, 2019, the FCC adopted a further additional voluntary, acceptance-based increase in A-CAM support for any company whose initial support was greater than their legacy ICLS/HCLS funding with an incremental two-year extension of the A-CAM funding through 2028 and an associated increase in the 25/3 Mbps build-out requirements. A-CAM recipients whose A-CAM support did not exceed their legacy ICLS/HCLS were eligible to receive no increase in A-CAM funding but they could receive the two additional years of A-CAM support if they agree to the additional 25/3 Mbps build-out requirements.

In March 2019, LICT accepted the voluntary increase in additional annual A-CAM funding of $4.6 million, retroactive to January 1, 2019, in exchange for committing to increase the broadband speed for 5,391 locations up to 25/3 Mbps and the two-year extension of receiving A-CAM through 2028 for the increased build-out requirement for all six states.

With this increase, capped companies now receive the fully funded support contemplated by the initial A-CAM program. The FCC extended the A-CAM annual support payments for two additional years to December 31, 2028. Acceptance of the additional A-CAM support requires the companies to provide increased broadband speed to a greater number of locations. The LICT subsidiaries accepted this A-CAM expansion program and received a true-up of $2.3 million in the second quarter of 2019 with continued increased payments through the rest of 2019. Total A-CAM support for 2019 for the six original A-CAM states was $31.1 million compared to the $26.6 million in 2018.

On May 2, 2019, the FCC further expanded the A-CAM program, referred to as A-CAM II, to companies still receiving legacy universal service support, HCLS and ICLS, in their service territories. LICT had two companies in Wisconsin that elected to participate and received $1.1 million in annual A-CAM II funding for the full year ending December 31, 2019. The Company's subsidiaries received the 2019 year to date incremental funding in the 3rd quarter of 2019. A-CAM and A-CAM II revenues were $32.1 and $32.3 million in 2020 and 2019 respectively.

Although A-CAM and A-CAM II mandated differing broadband deployment milestones, service performance requirements and reporting requirements, both A-CAM and A-CAM II are required to maintain voice and existing broadband service.

Under the original A-CAM program, A-CAM carriers are required to offer at least 10/1 Mbps to the statewide total of "fully funded" locations, and at least 25/3 Mbps to a certain percentage of the fully funded locations, by the end of 2026, with deployment milestones along the way for the 10/1 Mbps locations and a 25/3 Mbps build-out requirement in 2026. The split between 25/3 Mbps and 10/1 Mbps obligations depended upon housing density on a statewide basis. Under A-CAM and A-CAM II, carriers are required to offer at least 4/1 Mbps to a certain number of locations on a statewide basis that are not fully funded, and to other such locations if they meet the FCC's "reasonable request" standard.

The original A-CAM 10/1 Mbps build-out requirements commenced in 2020 and increase 10 percent per year. As part of the modifications to the A-CAM program, milestones for 25/3 Mbps were introduced commencing as of 2022 for A-CAM carriers and while the 10/1 Mbps requirements must still be completed by 2026, the final 25/3 Mbps milestone is 2028. Therefore, LICT must comply with two different sets of milestones through 2028 for A-CAM. The first build-out milestone for December 31, 2020 was that 40% of the 10/1 Mbps locations were required to be built. LICT has complied with this build-out requirement for the A-CAM companies.

For A-CAM II, build-out milestones commence in 2022 through 2028 and are at 25/3 Mbps. There are no 10/1 Mbps milestones for A-CAM II companies.

The original Order stated that in year eight of the A-CAM program, the FCC shall conduct a rulemaking to determine how support will be determined after the end of the 10-year period (which was originally 2026). Given the FCC's December 2018 Order, it is not clear when the FCC would review A-CAM to determine the post-2028 USF mechanism.

Some of our A-CAM recipients also receive USF from the states in which they operate, $7.4 and $8.2 million in 2020 and 2019 respectively. In 2020, due to the additional A-CAM revenues, Central Utah's state USF was reduced from $0.7 million to zero; however, it was reinstated to $0.4 million for 2021. Although we expect that states will continue to support broadband deployment, it is unclear if or to what extent the other state support revenues may be affected by A-CAM.

Connect America Fund – Broadband Loop Support

Prior to adopting A-CAM II, LICT's Wisconsin subsidiaries, Belmont Telephone Company and Cuba City Telephone Exchange Company, operated under the Connect America Fund – Broadband Loop Support ("CAF-BLS") program in 2018. CAF-BLS carriers are subject to operating expense and capital expenditures limitations as well as overall budget controls in order to meet the $2 billion annual USF support budget. Allowed capital expenditures are based on the extent to which the carrier has already deployed broadband, its forecasted CAF-BLS, density, a cost per location metric, and the percent a carrier is above or below the national broadband deployment average. LICT's 2018 CAF-BLS revenue was $0.7 million and zero for 2020 and 2019 since the Wisconsin operations adopted A-CAM II.

National Exchange Carrier Association

LICT's telephone subsidiaries are all rural, rate-of-return companies for interstate regulatory purposes. Rate-of-return companies receive support based on their costs or the costs of similarly situated companies through formulas developed by the National Exchange Carrier Association ("NECA") referred to as "average schedules". LICT has five average schedule companies and eight cost-based companies. Cost companies determine interstate revenues through cost studies computed based on the Company's own interstate costs, subject to the FCC caps and phase-downs. RLECs electing A-CAM or A-CAM II cannot participate in NECA's Common Line ("CL") tariffs and access revenue pool; however, the FCC permits A-CAM and A-CAM II companies to remain in NECA's tariff for access rates. In addition to receiving A-CAM or A-CAM II revenues, all of LICT's RLECs continue to participate in NECA's Traffic Sensitive ("TS") pool for both special access and switched access.

Effective in 2012, the TS costs allowed for recovery from the access revenue pools were changed by the FCC so that certain costs are capped or phased down. Switched access was frozen at 2011 projected tariff revenue requirement levels and is phased down 5% per year effective July 1st of each year.

Interstate access revenue for rate-of-return carriers is based on an FCC regulated rate-of-return on investment and recovery of operating expenses related to interstate access. The allowable interstate TS Special Access rate-of-return is being phased down over a six-year phased transition of 25 basis points per year from July 1, 2016 through July 1, 2021 from 11.25 percent to 9.75 percent. A-CAM was set at 9.75 percent rate-of-return in 2017 and remains constant through 2028. The rate-of-return for switched access was frozen at 11.25 percent.

The FCC rules mandate that the CL pool earn the authorized rate-of-return, after all true-ups are completed; however, the overall TS pool does not have that provision. While the frozen switched access portion of the NECA TS pool earns the frozen 11.25%, the special access portion of the NECA TS pool earns whatever rate-of-return the special access tariff rates produce given the actual demand during the year and based on the actual costs of the RLECs participating in the TS pool.

Intercarrier Compensation Reform

The FCC's 2011 Order significantly revised terminating intercarrier compensation ("ICC") for the charges LICT receives from other carriers to transport and terminate calls that originate on those carriers' networks. The 2011 Order required the transition of all terminating ICC to a default bill-and-keep arrangement by July 1, 2020. The FCC discussed modified originating ICC in various proceedings over the years since 2011 but has not yet done so. There is no active FCC Notice of Proposed Rulemaking ("NPRM") underway to modify originating access and it is not possible at this time to predict the impact of any future changes to originating ICC.

Eligible Telecommunication Carrier

The FCC requires all companies receiving federal USF support to obtain designation by their state regulator annually as an eligible telecommunications carrier ("ETC") in order to continue to receive USF. All of our subsidiaries receiving federal USF are currently designated as ETCs and we expect that they will continue to be so designated.

Intrastate Access Revenues

Our subsidiaries are compensated for their intrastate costs through a bill and keep intrastate access charge. (i.e., there are no intrastate access revenue pools). Intrastate access charge revenues are based on intrastate access rates filed with the state regulatory agency. Since July 1, 2012, if an ILEC subsidiary's intrastate access charge rates are above the interstate rates, the FCC required that the company reduce the intrastate rates so that all intrastate rates were at or below interstate rates by July 1st of each tariff year; therefore, the LICT companies were required to reduce their intrastate rates on July 1, 2020, and will continue with each subsequent interstate tariff filing thereafter, as needed.

Voice over Internet Protocol

VoIP services are prevalent across the nation, including in the areas served by LICT companies. Competition from VoIP services has a detrimental impact on current and future revenues and creates additional uncertainty for us. It is not possible to predict the extent to which these complementary or substitutable services impact our current or future revenues. Because of the rural nature of their operations and related low population densities, our RLEC subsidiaries are generally high cost operations which receive substantial federal and state support. In at least some areas, the regulatory environment for RLEC operations is becoming less supportive than has historically been the case, which may enhance the competitive impact of VoIP. The FCC's regulations provide that all carriers originating and terminating VoIP calls will be on equal footing in their ability to obtain compensation for this traffic.

Competitive Developments. In addition to the VoIP competition described above, competition in the telecommunications industry is increasing across the board. Competition in the Company's wireline telecommunications markets is growing fastest in the areas close to larger towns or metropolitan areas. All of our telephone companies have historically been monopoly wireline providers in their respective areas for local telephone exchange service, but the competitive aspect of the regulatory landscape is continually evolving. We now experience competition in most locations from long distance carriers, from cable companies for voice, data and video, from internet service providers for internet access, or from wireless carriers. Competition is resulting in a continuing loss of access lines and minutes of use, and in the conversion of retail lines to wholesale lines, which negatively affects revenues and margins from those lines. Competition also puts pressure on the prices we are able to charge for some services, particularly for some non-residential services. The total number of competitors is difficult to estimate since many of the companies do not have a local presence, but instead compete for customers via the internet using VoIP or through wireless operations. It is difficult to estimate how much traffic is lost to VoIP or wireless competitors.

Wireless and Other Interests. The Company has other, less than 50% owned interests, which contribute significant value to the Company.

DFT Communications ("DFT"). A wholly-owned subsidiary owns a 20% interest in DFT, which offers Local and Long Distance Telephone Service, Business Telephone Systems, Internet Service, Security Systems, Wireless Communications and Call Center Services to areas in Western New York and portions of Pennsylvania.

Aureon Network Services, Inc. ("Aureon") formerly Iowa Network Services, Inc. A wholly-owned subsidiary owns 1,115 shares of Aureon participating preferred stock and 172 shares of Aureon common stock – equating to a 2.56% economic interest. Aureon provides wireline telecommunications access and transport services, long distance, video, and internet to the exchanges of participating telephone companies and others retail and wholesale customers.

CVIN LLC ("CVIN"). A wholly-owned subsidiary owns an interest of approximately 2.3% in CVIN, which owns and operates a fiber optic network in the Central Valley and northern areas of California. CVIN provides certain telecommunication support services to its ownership affiliates and others. CVIN generates approximately $22 million in annual revenue and approximately $14 million in annual EBITDA.

Kansas Fiber Network ("KFN"). Two wholly-owned subsidiaries jointly own an interest of approximately 3% in KFN, a statewide fiber network which was formed in early 2009 by approximately thirty Kansas RLECs. KFN is currently providing fiber optic transport and other services to both its RLEC owners and other customers.

Federal Communications Commission ("FCC") Auctions. In February 2005, Lynch 3G participated in the FCC's Auction 58 for PCS Spectrum and was high bidder for two licenses, Marquette, MI, and Klamath Falls.

Lynch PCS Corporation G, a wholly-owned subsidiary, holds a PCS license in Las Cruces, NM which covers a population approximately of 281,000.

Advanced Wireless Services ("AWS") Spectrum. In September 2006, Lynch AWS Corporation participated in the FCC's Auction No. 66 and was high bidder for an AWS license in Topeka, KS. The licenses cover a population approximately of 476,000. This license was sold on November 2, 2020 for $3.9 million.

600 MHz Spectrum. In January 2017, LICT wireless Broadband Company acquired two 600 MHz licenses in the Broadband Spectrum Auction in Traverse City and Alpena, Michigan. The license covers a total population of approximately 511,000.

The Company participated in FCC Auction 101-28GHz and Auction 102- 24 GHz during 2019. Auction 101 was completed on January 24, 2019 and Auction 102 was completed on May 28, 2019. In Auction 101, LICT acquired 10 licenses of 28 GHz spectrum in Kansas and Nevada. In Auction 102, LICT acquired 47 licenses of 24 GHz spectrum in California, Iowa, Kansas, Michigan New Hampshire, New Mexico, Utah, and Wyoming.

The Company participated in FCC Auction 105 – CBRS band which ended on August 25, 2020. In this auction, LICT acquired 162 licenses in 78 counties.

In Auction 904, also known as Rural Development Opportunity Fund or "RDOF", which ended on November 23, 2020, LICT was awarded 8 census block groups in 3 states. Auction 904 is a part of the Federal Communications Commission's Universal Service Fund supporting the expansion of broadband internet services to underserved rural areas of the United States.

The Company participated in FCC Auction 107 – 3.7 GHz band ended on February 18, 2021. In this auction, LICT acquired 5 licenses.

We expect to participate in the FCC's future spectrum auctions in order to have the flexibility to accommodate present and developing needs of existing and future customers, as well as establish high-bandwidth opportunities.

There are many risks related to FCC wireless licenses, including, without limitation, the generally high cost of the licenses; the start-up nature of these businesses; the FCC's rules imposing build-out requirements on all spectrum licenses; the need to raise substantial funds to pay for the licenses and their build-out; the decisions on how best to develop the licenses and which technology to use; the small size and limited resources of our companies compared to other potential competitors; existing and changing regulatory requirements; additional auctions of wireless telecommunications spectrum; and the challenges of actually building out and operating new businesses profitably in a highly competitive environment featuring already-established cellular telephone operators and other new licensees. There are substantial restrictions on the transfer of control of licensed spectrum. There can be no assurance that any licenses granted to entities in which subsidiaries of LICT have interests can be successfully sold, financed or developed, thereby allowing LICT's subsidiaries to recover their investments.

Other Patents, Licenses, Franchises. The Company holds other licenses of various types, but it does not believe they are material to the conduct or results of its basic business and ongoing operations, which are its RLEC companies complemented by its CLEC operations.

Environmental Compliance. Capital expenditures, earnings and the competitive position of the Company have not been materially affected by compliance with current federal, state and local laws and regulations relating to the protection of the environment. We cannot predict the effect of future laws and regulations on its environmental compliance or the costs thereof.

Seasonality. No significant portion of the Company's business is regarded as seasonal. While the Company's Michigan operations usage varies somewhat during the year due to tourism and the presence of vacation homes, this variation is not material to LICT's operations or results as a whole.

Dependence on Particular Customers. The Company does not believe that its business is dependent on any single customer or group of customers. Most ILECs, including LICT's RLECs, received a significant amount of revenues in the form of access fees from IXCs. Bankruptcy of a significant IXC, or of several IXCs in the same period, could have a material adverse effect. We cannot predict which, if any, IXCs or other significant customers may go bankrupt in the future.

Government Contracts. In some instances, the Company provides service to the government under tariff and/or special contracts. Government contracts are not material to our operations as a whole and the elimination of those contracts would not significantly impact operations or financial results.

Employees. The Company had a total of 343 employees as of December 31, 2020, compared to 338 employees at December 31, 2019, including 5 corporate employees, with the remainder responsible for providing telecommunications services and support.

EXECUTIVE OFFICERS

The following list of the Company's senior executive employees as of December 31, 2020 sets forth the positions and offices with the Company held by each such person, and the principal employment by, or other service of these persons during past years.

Name	Officers and Positions Held	Age
Mario J. Gabelli	Chief Executive Officer since December 2010, Chairman since December 2004 (and also served as Chairman from September 1999 to December 2002), Vice Chairman from December 2002 to December 2004, Chief Executive Officer from September 1999 to November 2005.	78
Stephen J. Moore	Vice President - Finance from April 2014; prior to LICT, served as Controller North America – Poyry Management Consulting (USA) Inc. from January 2008 to October 2013, Controller at Dorian Drake International Inc. from June 1997 to December 2007.	56
Evelyn C. Jerden	Senior Vice President – Regulatory Dynamics since December 2008, Senior Vice President - Operations from September 2003 to December 2008, Vice President-Regulatory Affairs from 2002 to 2003, Director of Revenue Requirements of Western New Mexico Telephone Company, Inc. from1992 to present.	63
John M. Aoki	Corporate Controller from April 2014; prior to LICT, served as Senior Project Manager at Denovo Ventures, LLC from 2013 to 2014, Lead Area Controller at Dean Foods Company from 2007 to 2013, Chief Financial Officer at Prolexys Pharmaceuticals Inc. from 2001 to 2006.	64
Christina M. McEntee	Secretary since June 2019; Chief Administrator since 2016; served as Executive Coordinator from 2008-2016.	56

The executive officers of the Company are elected annually by the Board of Directors and hold office until the organizational meeting in the next subsequent year and until their respective successors are chosen and qualified, or until their earlier resignation or removal.

REAL ESTATE PROPERTIES

The Company leases approximately 3,334 square feet of office space on customary commercial terms from an affiliate of its Chairman for its executive offices in Rye, New York. Annual lease payments are $93,352 or $28.00 per square foot, plus $3.00 per square in utilities per year. There is an annual escalation adjustment and the lease expires in December 2023. In September 2014, the Company sublet 485 square foot of its corporate office space to another affiliate of the Chairman. The sublet lease expires on December 5, 2023 and the base rental rate is $19,764 per annum.

CentraCom and its subsidiaries and affiliates own a total of 9.8 acres at sixteen sites, with an additional 3.8 acres at twenty-three sites which are under leases, permits or easements. These sites are located in the central, northeastern and Midwestern areas of Utah. CentraCom's principal operating facilities are located in Fairview, Utah, where it owns a commercial office building containing 14,400 square feet, and a plant office and central office building containing 5,200 square feet. In addition, it has 1,604 square feet of office space, 2,795 square feet of warehouse space, 6,595 square feet of vehicle maintenance facilities, 6,352 square feet of protective cover and three rental homes. CentraCom owns smaller facilities used mainly for housing central office switching equipment with a total of 12,245 square feet in 26 various locations. In addition, the company owns 1,031 miles of copper cable, 558 miles of coaxial cable and 1,682 miles of fiber optic cable running through rights-of-way within its 10,483 square mile service area.

Western New Mexico Telephone Company, Inc. ("Western") owns a total of 16.9 acres at 15 sites located in southwestern New Mexico. Its principal operating facilities are located in Silver City, where Western owns one building with a total of 6,480 square feet housing its administrative offices and certain storage facilities, and another building of 216 square feet which houses core network equipment. In Cliff, New Mexico, Western owns six buildings with a total of 16,238 square feet which contain additional offices and storage facilities, as well as a vehicle shop, a fabrication shop, and central office switching equipment. Smaller facilities used mainly for storage and for housing central office switching equipment, with a total of 9,984 square feet, are located in Lordsburg, Reserve, Magdalena and five other localities in New Mexico. In addition, Western leases 1.28 acres. It also owns and operates 22 towers and 20 associated equipment buildings. Western has the use of 59 other sites under permits or easements at which it has installed various types of equipment either in small company-owned buildings (totaling 2,403 square feet) or under protective cover. Western also owns 4174 miles of copper cable and 820 miles of fiber optic cable within its service area of approximately 17,000+ square miles. This service area is about the size of the states of Vermont and New Hampshire combined or Maryland and Massachusetts combined.

J.B.N. Telephone Company ("JBN") owns or leases a total of approximately 2.25 acres located in northeast Kansas. Its administrative and commercial office consisting of 7,000 square feet is located in Holton, Kansas and a 3,000 square-foot garage/warehouse facility is located in Wetmore, Kansas. JBN owns 15 smaller facilities housing broadband and switching equipment in small towns inside its ILEC territory. Giant Communications, Inc., its CLEC affiliate, owns a 1,200 sq. ft headend and communication tower on 3.1 acres near Holton, and, smaller facilities holding additional equipment in various small towns. Giant leases small office spaces in Wichita and Topeka. In Topeka, Giant owns a .5 acre lot that houses its permanent equipment. JBN with its affiliate Giant, owns 574 miles of fiber optic cable, 1,203 miles of copper cable, and 70 miles of coaxial cable.

Haviland Telephone Company (dba "Haviland Broadband") owns a total of approximately 3.9 acres at 21 sites located in south central Kansas. It has administrative and commercial offices in Haviland and Conway Springs totaling 13,375 square feet, some of which is leased to other parties. Haviland owns 19 other facilities housing garage, warehouse facilities, and central office switching equipment in several small towns in its ILEC area. Haviland has approximately 1,408 miles of copper cable, 605 miles of fiber optic cable, and 3 communications towers.

Michigan Broadband Services ("MBS") operates nineteen regulated telephone exchanges within the Upper and Lower Peninsulas of Michigan. MBS owns approximately 100 acres within these 19 exchanges located in the Upper and Lower Peninsulas of Michigan. MBS leases property to American Tower and owns a tower structure which generates lease revenue from a mobile operator. At its Carney, MI location MBS owns 11,200 square feet of space which is used for administrative, technical and customer service purposes. MBS also owns 23 smaller facilities housing garage, warehouse and central office switching equipment. It also owns and operates 2,117 miles of copper cable as well as 589 miles of fiber optic cable.

MBS has leased office space in Traverse City Michigan located within The Village at Grand Traverse Commons. This location is unique as the property and our office is served with MBS fiber optic facilities.

Central Scott Telephone Company ("Central Scott") owns 4 acres of land at 6 sites. Its main office in Eldridge, Iowa, contains 3,104 square feet of office, 341 square feet of storage space and 2,183 square feet utilized for its switching facilities. A nearby warehouse has 3,360 square feet of garage space together with office space for our technical operations. Central Scott, including its subsidiary CS Technologies, has 514 miles of copper cable, 304 miles of fiber optic cable and 111 miles of coaxial cable.

Cuba City Telephone Exchange Company ("Cuba City") and Belmont Telephone Company ("Belmont") are located in two small communities in Wisconsin. Cuba City Telephone is located in a 3,800 square-foot brick building which it owns on 0.4 acre in Cuba City. The building serves as the central office, commercial office, and garage for vehicle storage. The company also owns a 0.1-acre site with a 1,400 square foot cement block building and a 600 square foot metal building for storage of materials and equipment. Belmont is located in a cement block building of 800 square feet on 0.5 acre of land in Belmont. The building houses its central office equipment. The companies own a combined total of 332 miles of copper cable and 114 miles of fiber optic cable.

Cal-Ore Telephone Company ("Cal-Ore") owns a total of 35.4 acres at 8 sites located in north central California. Its principal operating facilities are in Dorris, CA, where Cal-Ore owns three buildings comprising a total of 4,727 square feet housing its administrative offices and central office switching terminals, 11,500 square feet of maintenance shop with offices and truck bays, and another building which houses record storage. Cal-Ore owns two buildings in Tulelake, CA with a total of 1,913 square feet containing business offices, central office switching terminals and storage facilities, as well as a vehicle maintenance shop of 4,450 square feet. Smaller facilities, used mainly for storage and for housing central office switching equipment, with a total of 1,893 square feet, are located in Macdoel, Tennant, and Newell, CA. Cal-Ore has the use of 5 other sites under permits or easements at which it has constructed six microwave towers and installed various items of equipment either in small company owned buildings (totaling 824 square feet) or under protective cover. One of these sites is in Klamath Falls, OR.

It is the Company's opinion that all of the facilities referred to above are in good operating condition and are suitable and adequate for present uses.

LEGAL PROCEEDINGS

See Footnote 13 to the Company's Audited Financial Statements.

RISK FACTORS

In addition to the risks noted above, any of the following risks could materially adversely affect our business, consolidated financial condition, results of operations or liquidity, or the market price of our common stock. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations, and other factors noted above.

Risks Related to Our Indebtedness

To operate and expand our business, service our indebtedness and complete future acquisitions, we will require a significant amount of cash. Our ability to generate cash will depend on many factors beyond our control. We may not generate sufficient funds from operations to repay or refinance our indebtedness at maturity or otherwise, to consummate future acquisitions or to fund our operations. A significant amount of our cash flow from operations will be dedicated to capital expenditures and debt service. As a result, there can be no assurance that the cash that we retain will be sufficient to finance growth opportunities, including acquisitions, and we may be required to devote additional cash to unanticipated capital expenditures or to fund our operations. Our ability to make payments on our indebtedness will depend on our ability to generate cash flow from operations in the future, as well as our ability to refinance existing debt. This ability, to a signifigant extent, will be subject to general economic, financial, competitive, legislative, regulatory and other factors that will be beyond our control. There can be no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our indebtedness, to make payments of principal at maturity or to fund our capital expenditures and other liquidity needs.

We may also be forced to raise additional capital or sell assets and, if we are forced to pursue any of these options under distressed conditions, our business and the value of our common stock could be adversely affected. In addition, these alternatives may not be available to us when needed or on satisfactory terms due to prevailing market conditions, a decline in our business, legislative and regulatory factors or restrictions contained in the agreements governing our indebtedness.

Our indebtedness could restrict our ability to pay dividends on our common stock and have an adverse impact on our financing options and liquidity position. This indebtedness could have important adverse consequences for the holders of our common stock, including:

- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations, including under our existing credit facilities;
- limiting our ability in the future to obtain additional financing for working capital, capital expenditures or acquisitions;
- causing us to be unable to refinance our indebtedness on terms acceptable to us or at all;
- limiting our flexibility in planning for, or reacting to, changes in our business and the communications industry generally;
- requiring a significant portion of our cash flow from operations to be dedicated to the payment of interest and principal on our indebtedness, thereby reducing funds available for future operations, dividends on our common stock, capital expenditures or acquisitions;
- making us more vulnerable to economic and industry downturns and conditions, including but not limited to increases in interest rates; and
- placing us at a competitive disadvantage compared to those of our competitors that have less indebtedness.

The Company and certain of its subsidiaries are holding companies and rely on dividends, and other payments, advances and transfers of funds from operating subsidiaries and investments to meet debt

service and other obligations. The Company and certain of its subsidiaries are holding companies and conduct all of their operations through operating subsidiaries. The Company and these holding subsidiaries currently have no significant assets other than equity interests in the operating subsidiaries. As a result, the Company and these holding subsidiaries rely on dividends and other payments or distributions from operating subsidiaries to meet their debt service obligations and all of their other financial needs or requirements generally. The ability of the Company's operating subsidiaries to pay dividends or make other payments or distributions to the Company and the non-operating subsidiaries will depend on their respective operating results and may be restricted by, among other things:

- the laws of their jurisdiction of organization;
- the rules, regulations and orders of state regulatory authorities;
- agreements of those subsidiaries; and
- the terms of agreements governing indebtedness of those operating subsidiaries.

The Company's operating subsidiaries generally have no obligation, contingent or otherwise, to make funds available to the Company or its other subsidiaries, whether in the form of loans, dividends or other distributions.

Our existing credit facilities and other agreements governing our indebtedness contain covenants that limit our business flexibility through operating and financial restrictions, including on the payment of dividends. Our existing credit facilities impose certain operating and financial restrictions on us. These restrictions prohibit, require prior lender approval of, and/or limit, among other things:

- incurrence of additional indebtedness and the issuance by our subsidiaries of preferred stock;
- payment of dividends on, and purchases or redemptions of, capital stock;
- a number of other types of payments, including investments;
- creation of liens;
- ability of each of our subsidiaries to guarantee indebtedness;
- specified sales of assets;
- creation of encumbrances or restrictions on the ability of our subsidiaries to distribute and advance funds or transfer assets to us or any other subsidiary;
- sale and leaseback transactions; and
- certain consolidations and mergers and sales and/or transfers of assets by or involving us.

Our existing credit facilities also require us to maintain specified financial ratios and satisfy financial condition tests, including, without limitation, a maximum total leverage ratio and a minimum interest coverage ratio. It is possible that a new credit facility, if we were successful in negotiating one, would contain similar provisions on some of these points. Our ability to comply with these covenants, ratios or tests contained in the agreements governing our indebtedness may be affected by events beyond our control, including prevailing and evolving economic, financial regulatory and industry conditions. A breach or violation of any of these covenants, ratios or tests could result in a default under the agreements governing our indebtedness. In current economic and financial circumstances, obtaining a waiver of such a breach or violation, or a modification of the covenant or other provision involved, may become more difficult and expensive.

Under certain conditions, covenants prohibit us from making dividend payments on our common stock. In addition, upon the occurrence of an event of default, the lenders under our existing credit facilities (or a new credit facility, following the consummation of such a transaction) could have the option to declare all amounts outstanding, together with accrued interest, to be immediately due and payable. If we were to be unable to repay those amounts, the lenders under our existing credit facilities (or a new credit facility, following the consummation of such a transaction) could proceed against the security granted to them to secure that indebtedness, or commence collection or bankruptcy proceedings against us.

If the lenders accelerate the payment of any outstanding indebtedness, our assets may not be sufficient to repay all of our indebtedness. Due to general economic conditions, conditions in the lending markets, the results of our business or for other reasons, we may elect or be required to amend or refinance our existing credit facilities (or a new credit facility, following the consummation of such a transaction), at or prior to maturity, or enter into additional agreements for indebtedness. Any such amendment, refinancing or additional agreement may contain covenants which could limit in a significant manner our operations, our competitiveness and/or our financial flexibility generally.

The price of our common stock may fluctuate substantially, which could negatively affect holders of our common stock. The market price of our common stock may fluctuate widely as a result of various factors, such as period-to-period fluctuations in our operating results, the volume of sales of our common stock, developments in the communications industry, the failure of securities analysts to cover our common stock or changes in financial estimates by analysts, competitive factors, regulatory developments, economic and other external factors, general market conditions and market conditions affecting the stock of communications companies in particular. Communications companies have in the past experienced extreme volatility in the trading prices and volumes of their securities, which has often been unrelated to operating performance. High levels of market volatility may have a significant adverse effect on the market price of our common stock and may generate litigation which could result in substantial costs and divert management's attention and resources.

Future sales or the possibility of future sales of a substantial amount of our common stock may depress the price of our common stock. Our stock is thinly traded, and future sales, or the availability for sale in the public market, of substantial amounts of it could adversely affect the prevailing market price of the stock. The market price of our common stock could decline as a result of the perception that a relatively high volume of sales could occur, whether or not such sales are actually contemplated by the Company or are actually made.

Risks Related to Our Business

We provide services to customers over access lines, and if we lose access lines, our business, financial condition and results of operations may be adversely affected. We generate revenue primarily by delivering voice and data services over access lines. We have experienced net access line losses in the past years. These losses resulted mainly from competition, the use of alternative technologies and, to a lesser degree, challenging economic conditions and the offering of DSL services, which has prompted most customers to cancel their second line service. In addition to line losses, the usage of our networks, generally measured in Minutes of Use ("MOUs"), has also been decreasing. It is reasonable to expect that we will continue to experience net access line and MOU losses in our markets. Our inability to retain access lines and the declining usage of the lines we do retain could adversely affect our business, financial condition and results of operations.

We are subject to competition that may adversely impact our business, financial condition and results of operations. As the incumbent telephone company, we historically had experienced little competition in our RLEC markets. However, many of the competitive threats confronting large communications companies, such as competition from VoIP, cable provider and wireless services, are becoming more widespread in the rural markets that we serve. Regulations and technology change quickly in the communications industry, and changes in these factors historically have had, and may in the future have, a significant impact on the competitive dynamics of our industry. In most of our rural markets, we are facing competition from wireless technology, which may increase as wireless technology improves. We are also likely to face increased competition from wireline and cable television operators. We may face additional competition from providers of wireless broadband, as that technology is entering an era of rapid expansion, VoIP, satellite communications and electric utilities. The internet services market is also highly competitive, and we expect that this competition will intensify. Many of our competitors have brand recognition, offer online content services, and have financial, personnel, marketing and other resources that are significantly greater than ours. We believe that a growing percentage of our current and potential customers will have access to a cable modem offering, and the cable industry is continuing to greatly increase its broadband capacities and eventually a wireless broadband offering.

In addition, consolidation and strategic alliances within the communications industry or the development of other new technologies could affect our competitive position. We cannot predict the number of competitors that will emerge from technological developments or as a result of existing or new federal and state regulatory or legislative actions. However, increased competition from existing and new entities could have a material adverse effect on our business, financial condition and results of operations. Competition may lead to loss of revenues and profitability as a result of numerous factors, including, but not limited to:

- loss of customers;
- reduced usage of our network by our existing customers, who may use alternative providers for long distance and data services;
- reductions in the prices for our services which may be necessary to meet competition; and/or
- increases in marketing expenditures and discount and promotional campaigns.

In addition, our provision of long-distance service is subject to a highly-competitive market served by large nationwide carriers that enjoy brand name recognition and have other financial and operational advantages over us.

We may face 5G Wireless Competition in the future. National wireless carriers provide service in most of our service territories. As wireless carriers continue to build out and enhance their voice and data networks and add 5G products and services intended to improve their high speed data service, we may experience increased competition which could have an adverse effect on our business, revenue and cash flow.

We may not be able to successfully integrate new technologies, respond effectively to customer requirements or provide new services. The communications industry is subject to rapid and far-reaching changes in technology, frequent new service introductions, competitive pricing changes and evolving industry standards. We cannot predict the effect of these changes on our competitive position, profitability or financial condition. Technological developments may reduce the competitiveness of our networks and require unbudgeted upgrades or the procurement of additional products that could be expensive, technologically complex and time-consuming to implement. In addition, new products and services arising out of technological developments may reduce the attractiveness of our services. If we fail to adapt successfully to technological changes or obsolescence, or fail to obtain access to important new technologies, we could lose customers and be limited in our ability to attract new customers and/or sell new services to our existing customers.

Our relationships with other communications companies are material to our operations and their financial difficulties may adversely affect our business, financial condition and results of operations. We originate and terminate calls for interexchange and other carriers over our network. For those services, we receive payments for access charges. These payments represent a significant portion of our revenues and are material to our business. If one or more of these carriers go bankrupt or experience substantial financial difficulties, our inability to collect access charges from them could have a negative effect on our business, financial condition and results of operations.

We face risks associated with acquired businesses and potential acquisitions. We have grown in the past, in part, by acquiring other businesses and a portion of our future growth may result from additional acquisitions. Growth through acquisitions entails numerous risks, including but not limited to:

- strain on our financial, management and operational resources, including the distraction of our management team in identifying potential acquisition targets, conducting due diligence and negotiating acquisition agreements;
- the potential loss of key employees or customers of the acquired businesses or our existing business;
- unanticipated liabilities or contingencies of the acquired businesses;
- unbudgeted costs which we may incur in connection with pursuing potential acquisitions, whether or not the acquisitions are consummated.
- failure to achieve projected cash flow or realize anticipated cost-saving synergies from acquired businesses;
- fluctuations in our operating results caused by incurring expenses to acquire businesses before receiving the anticipated revenues expected to result from the acquisitions;
- difficulties in finding suitable acquisition candidates;
- difficulties in making acquisitions on attractive terms due to a potential increase in competitors; and
- difficulties in obtaining and maintaining any required regulatory authorizations in connection with acquisitions.

In the future, we may need additional capital to continue growing through acquisitions. This additional capital may be raised in the form of additional debt, which would increase our leverage and further limit our financial flexibility. We may not be able to raise sufficient capital on terms we consider acceptable, or at all. We may not be able to successfully complete the integration of other businesses that we have previously acquired or successfully integrate any businesses that we might acquire in the future. If we fail to do so, or if we do so but at greater cost than we anticipated, our business, financial condition and results of operations and our ability to expand in the future may be adversely affected.

A network disruption could cause delays or interruptions of service, which could cause us to lose customers. To be successful, we will need to continue to provide our customers reliable service over our network. Some of the risks to our network and infrastructure include:

- physical damage to access lines;
- widespread power surges or outages;
- software defects in critical systems; and
- disruptions beyond our control.

Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers and/or revenues and incur expenses.

Our billing systems or the billing systems of our third-party vendors may not function properly. The failure of any of our billing systems or the billing systems of any of our third-party vendors could result in our inability to adequately bill and provide service to our customers. The failure of any of our billing systems could have a material adverse effect on our business, financial condition and results of operations.

We depend on third parties for our provision of long distance and broadband services. Our provision of long distance and broadband services is dependent on underlying agreements with other carriers that provide us with transport and termination services. If these carriers fail to meet their obligations, or if the provisions in our agreements with them prove unfavorable to us due to changes in market conditions or other factors, our business and operations may be adversely affected.

We may not be able to maintain the necessary rights-of-way for our networks. We are dependent on rights-of-way and other permits from railroads, utilities, state highway authorities, local governments, transit authorities and others to install and maintain conduit and related communications equipment for any expansion of our networks. We may need to renew current rights-of-way for our networks and there can be no assurance that we would be successful in renewing each of these agreements on acceptable terms or at all. Some of our agreements may be short-term, revocable at will, or subject to termination upon customary default provisions, and we may not have access to existing rights-of-way after they have expired or been terminated. If any of these agreements are terminated or not renewed, we could be required to remove or abandon our facilities. Similarly, we may not be able to obtain right-of-way agreements on favorable terms, or at all, in new service areas, and, if we are unable to do so, our ability to expand our networks could be impaired.

Our success depends on our ability to attract and retain qualified management and other personnel. Our success depends upon the talents and efforts of our all of our personnel. The loss of any member of our senior management team, and the inability to attract and retain highly qualified technical and management personnel in the future, could have an adverse effect on our business, financial condition and results of operations.

We may face significant future liabilities or compliance costs in connection with environmental and worker health and safety matters. Our operations and properties are subject to federal, state and local laws and regulations relating among other things to protection of the environment, natural resources, and worker health and safety, including laws and regulations governing the management, storage and disposal of hazardous substances, materials and wastes, and remediation of contaminated sites. Under certain environmental laws, we could be held liable, jointly and severally and without regard to fault, for the costs of investigating and remediating any contamination at owned or operated properties, or for contamination arising from the disposal by us or our predecessors of regulated materials at formerly owned or operated properties or at third-party waste disposal sites. In addition, we could be held responsible for third-party property or personal injury claims relating to any such contamination or relating to any violations of environmental laws. Changes in existing laws or regulations, future acquisitions of businesses or any newly discovered information could require us to incur substantial costs relating to these matters.

We have a significant amount of goodwill and other intangible assets on our balance sheet. If our goodwill or other intangible assets become impaired, we may be required to record a significant non-cash charge to earnings and reduce our stockholders' equity. Under generally accepted accounting principles, intangible assets are reviewed for impairment on an annual basis or more frequently whenever events or circumstances indicate that their carrying value may not be recoverable. The Company monitors relevant circumstances, including general economic conditions, enterprise value EBITDA multiples for RLEC properties, the Company's overall financial performance, and the potential that changes in such circumstances might have on the valuation of the Company's intangible assets, including goodwill. If our intangible assets are determined to be impaired in the future, we may be required to record a significant non-cash charge to earnings during the period in which the impairment is determined.

The COVID-19 global pandemic may adversely impact our business - During March 2020, the World Health Organization declared the rapidly growing coronavirus outbreak to be a global pandemic. The COVID-19 pandemic has significantly impacted health and economic conditions throughout the United States. Federal, state and local governments took and are continuing to take a variety of actions to contain the spread of COVID-19. While the short-term impact on our operations has been limited, we cannot predict the continuing or future impact if this pandemic changes in its nature or continues for an extended period of time.

Risks Related to Our Regulatory Environment

We are subject to significant regulations that could change in a manner adverse to us. We operate in a heavily regulated industry, and substantial portions of our revenues are supported by regulations, including access revenue and USF support for the provision of telephone services in rural areas. As discussed above, the new A-CAM program substantially increases the support being provided to LICT's telephone company subsidiaries, but future rules and regulations issued by the FCC could ultimately effect fundamental changes in the financial structure and characteristics of the telecommunications industry. Moreover, existing laws and regulations applicable to us and our competitors may be, and have been, challenged in the courts, and could be changed by Congress or regulators in a manner adverse to us. In addition, any of the following have the potential to have a significant impact on us:

Risk of loss or reduction of network access revenues. A significant portion of our revenues comes from network access charges, a portion of which are paid to us by intrastate and interstate long distance carriers for originating and terminating calls and for providing special access services which connect carriers to their end users in our service areas. In past years, several long-distance carriers have declared bankruptcy. Future declarations of bankruptcy by carriers that utilize our access services could negatively impact our business, financial condition and results of operations. In addition, the amount of access charge revenues that we currently receive is based on rates set by federal and state regulatory bodies, and those rates could change in the future. Also, from time to time, federal and state regulatory bodies conduct rate cases, earnings reviews, or make adjustments to average schedule formulas that may result in such rate changes. In addition, reforms of the federal and state access charge systems, combined with the development of competition, have caused the aggregate amount of access charges paid by long distance carriers to decrease. Significant changes in the access charge system, if not offset by a revenue replacement mechanism, could result in a significant decrease in our revenues. Decreases in or loss of access charges may or may not result in offsetting increases in local, or subscriber line, revenues. Regulatory developments of this type could adversely affect our business, financial condition and results of operations.

Risk of loss or reduction of Universal Service Fund support. We receive USF revenues in addition to A-CAM from both the federal and, in some cases, state universal service support mechanisms to help fund our operations. Any changes to the existing rules could reduce the USF revenues we receive. Corresponding changes in state universal service support could likewise have a negative effect on the revenues we receive. If we raise prices for services to offset losses of USF payments, the increased pricing of our services may disadvantage us competitively in the marketplace, resulting in additional potential revenue loss. Furthermore, any changes in the rules and regulations governing the distribution of such support or the manner in which USF contributions are obtained or calculated could have a material adverse effect on our business, financial condition or results of operations.

Risk of loss of statutory exemption from burdensome interconnection rules imposed on incumbent local exchange carriers. Our RLECs are exempt from some of the Telecom Act's more burdensome requirements governing the rights of competitors to interconnect to ILEC networks and to utilize discrete elements of the ILEC's network at favorable rates. To the extent that state regulators may decide that some or all of these requirements should be imposed upon our RLECs, we could be required to provide unbundled network elements or other facilities or services to competitors in our service areas. As a result, more competitors could enter our traditional telephone markets than are currently active there, which could have a material adverse effect on our business, financial condition and results of operations.

Risks posed by costs of regulatory compliance. Regulatory requirements create significant compliance costs for us and are expected to continue to do so. Our subsidiaries that provide intrastate services may be or become subject to certification, tariff filing, and other ongoing regulatory requirements imposed by state regulators. Our interstate access services are currently provided in accordance with tariffs filed with the FCC by NECA. Challenges in the future to NECA's tariffs by regulators or delays in the Company's obtaining certifications and regulatory approvals could adversely affect the rates that we are able to charge our customers. We are also subject to audits by both federal and state regulatory authorities, which may be costly and burdensome and may result in fines, penalties, refunds or other unfavorable and burdensome requirements.

Our business also may be impacted by legislation or regulations imposing new or greater obligations related to assisting law enforcement, bolstering homeland security, minimizing environmental impacts, protecting customer privacy or addressing other issues that impact our business. For example, existing provisions of the Communications Assistance for Law Enforcement Act ("CALEA") and FCC regulations implementing that legislation require communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance. We cannot predict whether or to what extent the FCC might modify its CALEA rules or any other rules, or what compliance with new rules might cost. Similarly, we cannot predict whether or to what extent federal or state legislators or regulators might impose new security, environmental or other obligations on our business, although it is possible that they may do so.

Risk of loss from rate reduction. Most of our local exchange companies that operate pursuant to intrastate rate of return regulation are subject to state regulatory authority over their intrastate telecommunications service rates. State review of these rates could lead to rate reductions, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Regulatory changes in the communications industry could adversely affect our business by facilitating greater competition, reducing potential revenues or raising our costs. Over the past several years, the FCC has made fundamental changes in its regulation of the telecommunications industry and this regulatory regime is continuing to evolve. In addition, the Telecom Act also provides for ongoing changes and increased competition in the telecommunications industry, including competition for local communications and long-distance services. This statute and the FCC's regulations may be subject to additional Congressional amendment, regulatory modification or judicial review. It is not possible to predict what effects future legislation, FCC regulatory actions or court decisions will have on our business, financial condition or results of operations. However, such effects could be materially averse to our business and financial results.

MANAGEMENT'S DISCUSSION OF OPERATIONS

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

Forward-Looking Statements and Uncertainty of Financial Projections

The following discussion contains certain forward-looking statements. Forward-looking statements are not based on historical information but relate to future operations, strategies, financial results or other developments. Forward-looking statements are based on estimates and assumptions that are inherently subject to significant business, financial, economic and competitive uncertainties and contingencies, many of which are beyond our control and all of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company.

RESULTS OF OPERATIONS

Overview

LICT provides an array of broadband and communications services, primarily in rural areas but with continuing expansions in adjacent urban communities, which are detailed in the Telecommunications Operations section of this report. Our history is principally as an operator of rural telephone service (known as Rural Local Exchange Carriers, or "RLECs"), with our principal operations in rural parts of California, Iowa, Kansas, Michigan, New Mexico, Utah and Wisconsin. As technologies have evolved, so have our services. On December 31, 2019, we closed on the sale of our New Hampshire operations ("Bretton Woods") subsidiary, which holds the telephone company serving the community of Bretton Woods, New Hampshire, as well as a Competitive Local Exchange Carrier, or "CLEC" operations. In our financial statements, we are treating the results of the Bretton Woods companies as a discontinued operation. Accordingly, in the discussion below, on our operating results, the contribution of the Bretton Woods companies have been excluded from the 2019 and 2018 amounts.

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

- Local and long-distance telephone service;
- Broadband services, fiber optic facilities, wireless technologies and Digital Subscriber Lines ("DSL"), and;
- Video services, including cable television and Internet Protocol Television ("IPTV");
- Access for other telephone service providers to the intra-state and interstate networks;
- Private line connections between, for example, two branches of a business;
- Public access, including, for example, 911 service;
- Managed Hosting, where we host virtual switchboards for customers; and

The federal and state governments have long had a policy of encouraging and promoting telephone, broadband and other communication services in rural areas because it provided a benefit to all Americans and to the nation as a whole. 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. There is no certainty that such support programs will continue at the same levels as they have in the past. Some reductions have already occurred, although the FCC's A-CAM and A-CAM II support programs, discussed below, have significantly increased the amount, as well as the consistency and predictability of the federal support we are receiving. 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 – and this includes the rural population, as well as urban dwellers. We believe that this expansion of communications creates an opportunity for us to successfully develop the Company's business, as rural customers demand additional and better communications infrastructure.

The advent and spreading acceptance of high-speed internet 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.

Effective January 1, 2017, the FCC instituted a revised, voluntary USF mechanism for eligible rate-of-return Incumbent Local Exchange Carriers ("ILECs"), called A-CAM, an acronym for "Alternative – Connect America Cost Model." A-CAM replaced the prior Interstate Common Line Support ("ICLS"), which the FCC renamed the Connect American Fund – Broadband Loop Support ("CAF-BLS") fund, and High Cost Loop Support ("HCLS") cost-based USF programs, which were based on specific company actual expenditures for operations and capital or on average schedule algorithms derived based on industry averages. The A-CAM program was designed by the FCC to expedite the deployment of broadband capabilities throughout the nation's rural areas that are served by rate-of-return carriers. Eleven of LICT's thirteen operating ILEC study areas elected to adopt A-CAM, which originally provided a fixed amount of annual funding for a period of ten years, effective January 1, 2017. As part of adopting the A-CAM model, our ILECs must meet certain broadband build-out requirements over the ten-year period originally ending in 2026. The build out requirements commenced December 31, 2020. The LICT ILECs participating in A-CAM, located in six states, would receive a combined fixed annual payment of $23.3 million over the next ten years (prior to the FCC subsequent incremental A-CAM funding described below). In addition, the ILECs in two of these states have received supplemental transitional payments of $0.5 million in 2017 and will be reduced by $0.1 million per year through the end of 2021. LICT's A-CAM electors received $7.9 million of ICLS revenues and $5.6 million of HCLS revenues in 2016 for a combined $13.6 million, which were replaced by A-CAM revenues.

In May 2018, the FCC expanded the A-CAM program for companies whose support was initially capped and offered the LICT companies an additional $2.9 million in annual A-CAM funding, which was retroactive to January 1, 2017, in return for increasing the required build-out obligations through 2026. The LICT companies accepted the additional A-CAM funding, and the cumulative funding was received in 2018. Accordingly, in 2018, LICT recorded additional A-CAM revenues of $5.8 million, of which $2.9 million relates to the year ended December 31, 2017.

In February 2019, the FCC again expanded the A-CAM program for those companies who support was initially capped and offered LICT companies an incremental $4.6 million in annual A-CAM funding, which is retroactive to January 1, 2019. With the 2019 increase, these capped companies have now been offered the fully funded support contemplated by the initial A-CAM program. Acceptance of the incremental funding extended the A-CAM annual support payments for two additional years to December 31, 2028 but requires the A-CAM companies to provide 25/3 Mbps to a greater number of locations. In March 2019, all of LICT's current A-CAM companies, in six states, accepted the additional A-CAM funding through 2028 with the associated increase in broadband build-out requirements. The additional $4.6 million of A-CAM funding went to four of LICT's states and the remaining two states did not receive any additional funding but did receive two additional years of A-CAM support through 2028 for the increased build-out requirements.

In 2019, the FCC also provided an opportunity for all remaining CAF-BLS companies to convert to a new USF mechanism, called A-CAM II, that replaced the existing HCLS and CAF-BLS high cost support mechanisms. In the summer of 2019, LICT elected A-CAM II for our Wisconsin ILEC properties.

As of 2019, all of LICT's ILECs have elected A-CAM or A-CAM II. A-CAM and A-CAM II revenues were $32.1 million and $32.3 million in 2020 and 2019, respectively.

Year 2020 compared to 2019

The following is a breakdown of revenue and operating costs and expenses from operations (in thousands):

	2020	2019
Revenue:		
Regulated revenue:		
Local access	$6,589	$6,849
Interstate access & USF	46,986	46,314
Intrastate access & USF	8,148	8,879
Other	1,106	1,025
Total regulated revenue	62,829	63,067
Non-regulated revenues:		
Broadband and related services	49,453	45,079
Video (including cable modem)	7,161	5,324
Other	4,731	4,488
Total non-regulated revenue	61,345	54,891
Total revenue	124,174	117,958
Operating Costs and Expenses:		
Cost of revenue, excluding depreciation	54,244	51,731
General and administrative costs at operations	12,376	11,681
Corporate office expenses	3,652	3,876
Charitable contributions	1,140	1,272
Depreciation and amortization	17,349	19,256
Total operating costs and expenses	88,761	87,816
Operating profit	$35,413	$30,142

Total revenues in 2020 increased $6.2 million, or 5.3%, to $124.2 million. Our non-regulated revenues grew by $6.5 million to $61.3 million, a 11.8% increase as compared to 2019. Non-regulated revenues from broadband services and other non-regulated services increased primarily as a result of strong growth from our Utah operations. The increase was driven by additional broadband circuits outside of our regulated service territory, additional revenue from increased subscribers of broadband cable modems and the sale of communications equipment. Non-regulated revenues have grown to represent over 49% of our revenue streams and are expected to grow in future years. Our regulated revenues decreased by $0.2 million to

$62.8 million, a 0.4% decrease as compared to 2019. Local access revenue decreased $0.3 million, or 3.8%, due to a decrease in regulated telephone access lines. Interstate access revenue increased by 1% or $0.7 million as compared to 2019. This was offset by $0.7 million or 8.2% decrease in Intrastate revenues mostly attributable to the increase in Utah Intrastate USF funding in 2020.

Total operating costs and expenses were $88.8 million in 2020 and $87.8 million in 2019, a $1.0 million increase, predominantly due to a $2.5 million increase in the cost of revenue as we have continued to increase our broadband speeds and a $0.7 million increase in general and administrative costs. These costs increases were offset by a $1.9 million decrease in depreciation expense for the year. This was driven by assets becoming fully depreciated while newly added assets were added late in the year and the addition of long depreciable life assets. In both 2020 and 2019 the Company executed its charitable giving program resulting in donations of $1.1 and $1.3 million in 2020 and 2019, respectively.

As a result of the above factors, Operating Profit in 2020 increased by $5.3 million to $35.4 million.

EBITDA

EBITDA is used by our management as a supplemental financial measure to evaluate the operating performance of our business. When viewed with our GAAP results and the accompanying reconciliations, we believe it provides a more complete understanding of the 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 statement 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 feasible. 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 operations (in thousands):

	2020	2019
EBITDA from:		
Operating units	$57,554	$54,546
Corporate expense	(3,652)	(3,876)
Charitable contributions	(1,140)	(1,272)
EBITDA	$52,762	$49,398
Reconciliation to net income:		
EBITDA	$52,762	$49,398
Depreciation and amortization	(17,349)	(19,256)
Investment income	547	332
Interest expense	(1,752)	(1,487)
Equity in income of affiliates	320	2,666
Gain from the sale of investment	13,071	--
Other	3,477	2,475
Income tax provision	(13,808)	(7,737)
Net income	$37,268	$26,391

During 2020 and 2019, the Company conducted a shareholder designated and an employee designated charitable contribution programs. Under these programs, the Company expensed $1.1 million in 2020 and $1.3 million in 2019 as donations to local and national IRS authorized 501(c)3 organizations. In December 2020, the Company's Board of Directors approved a contribution that was paid in April, 2021. These 2021 Contributions were accrued at December 31, 2020. The Company may continue these programs in the future.

<u>Other Income (Expense)</u>

Investment income increased by $0.2 million in 2020, primarily due to increased distributions from the Company's investment in Aureon Network Services, Inc. The 2019 distributions from Aureon were higher than normal due to the sale of certain operations.

Interest expense increased by $0.3 million in 2020, primarily due to higher utilization of the line of credit, which was offset by lower interest rates.

Gain on the sale of investment is from the sale of MODOC in January 2020.

2020 Other income includes a $3.5 million gain on the sale of the Topeka Kansas AWS Spectrum license. 2019 Other income of $2.5 million were primarily from a distribution from an affiliated entity that secured a contingent payment from a transaction that originally closed in 2012.

Equity in earnings of affiliates in 2020 were $0.3 million which was a reduction from the $2.7 million in 2019. The decrease is primarily attributed to the MODOC wireless investment which was sold in January 2020.

<u>Income Tax Provision</u>

The income tax provision from operations includes federal, as well as state and local taxes. The tax provision for 2020 and 2019 represents effective tax rates of 27.0% and 22.6%, respectively. The difference between these effective rates and the federal statutory rate is principally due to an adjustment to the 2019 provision and state income taxes.

Net Income

Net income was $37.3 million, or $1,982 per basic share and diluted share in 2020, compared to net income in 2019 of $26.4 million, or $1,355 per basic share and $1,352 per diluted share.

Year 2019 compared to 2018

The following is a breakdown of revenue and operating costs and expenses from operations (in thousands):

	2019	2018
Revenue:		
Regulated revenue:		
Local access	$6,849	$7,173
Interstate access & USF	47,160	47,467
Intrastate access & USF	8,880	8,992
Other	178	998
Total regulated revenue	63,067	64,630
Non-regulated revenue:		
Broadband and related services	45,079	40,158
Video (including cable modem)	5,324	5,169
Other	4,488	4,178
Total non-regulated revenue	54,891	49,505
Total revenue	117,958	114,135
Operating Costs and Expenses:		
Cost of revenue, excluding depreciation	51,731	47,770
General and administrative costs at operations	11,681	11,273
Corporate office expenses	3,876	4,006
Charitable contributions	1,272	2,477
Depreciation and amortization	19,256	19,590
Total operating costs and expenses	87,816	85,116
Operating profit	$30,142	$29,019

Total revenues in 2019 increased $3.8 million, or 3.3%, to $118.0 million. Our non-regulated revenues grew by $5.4 million to $54.9 million, a 10.9% increase as compared to 2018. Non-regulated revenues from broadband services and other non-regulated services increased primarily as a result of strong growth from our Utah operations. The increase was driven by additional broadband circuits outside of our regulated service territory, additional revenue from increased subscribers of broadband cable modems and the sale of communications equipment. Non-regulated revenues have grown to represent over 46% of our revenue streams and are expected to grow in future years. Our regulated revenues decreased by $1.5 million to $63.1 million, a 2.4% decrease as compared to 2018. Local access revenue decreased $0.3 million, or 4.5%, due to a decrease in regulated telephone access lines. Interstate access revenue declined by less than 1% or $0.3 million. Intrastate access revenues in 2019 were essentially the same as 2018.

Total operating costs were $87.8 million in 2019 and $85.1 million in 2018, a $2.7 million increase, predominantly due to a $4.0 million increase in the cost of revenue as we have continued to increase our broadband speeds which is offset by a $1.2 million decrease in charitable contributions from 2018. In

November 2019, the company's Board of Directors authorized additional contributions under the Company's Shareholder Designated Charitable Contribution Program. These contributions were made in the fourth quarter of 2019 and the first quarter of 2020. The Company also made contributions under this program in August 2019 and 2018. Accordingly, 2018's expenses included two efforts of this program whereas 2019 only included one.

As a result of the above factors, Operating Profit in 2019 increased by $1.1 million to $30.1 million.

EBITDA

EBITDA is used by our management as a supplemental financial measure to evaluate the operating performance of our business. When viewed with our GAAP results and the accompanying reconciliations, we believe it provides a more complete understanding of the 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 statement 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 feasible. 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 operations (in thousands):

	2019	2018
EBITDA from:		
Operating units	$54,546	$55,094
Corporate expense	(3,876)	(4,006)
Charitable contributions	(1,272)	(2,477)
EBITDA	$49,398	$48,611
Reconciliation to net income:		
EBITDA	$49,398	$48,611
Depreciation and amortization	(19,256)	(19,590)
Investment income	332	612
Interest expense	(1,487)	(1,742)
Equity in income of affiliates	2,666	2,732
Other gains (losses)	2,475	3,276
Income tax provision	(7,737)	(8,480)
Net income	$26,391	$25,419

During 2019 and 2018, the Company conducted a shareholder designated and an employee matching charitable contribution programs. Under these programs, the Company expensed $1.3 million in 2019 and $2.4 million in 2018 as donations to local and national IRS authorized 501(c)3 organizations. The Charitable contributions in 2018 included two charitable contribution programs. In December 2018, the Company's Board of Directors approved an additional contribution that was paid in the First Quarter of 2019. These 2019 Contributions were accrued at December 31, 2018. The Company may continue these programs in the future.

<u>Other Income (Expense)</u>

Investment income decreased by $0.28 million in 2019, primarily due to decreased distributions from the Company's investment in Aureon Network Services, Inc. The 2018 distributions were higher than normally due because of distributions related to the sales of certain parts of Aureon's operations.

Interest expense decreased by $0.26 million in 2019, primarily due to reductions in debt offset by higher interest rates.

Other income of $2.5 million in 2019 and $3.3 million in 2018 were primarily from a distribution from an affiliated entity that secured a contingent payment from a transaction that originally closed in 2012.

Equity in earnings of affiliates in 2019 were $2.7 million which was flat compared to 2018. This primarily represents our investment in the MODOC wireless investment and in DFT Communications.

<u>Income Tax Provision</u>

The income tax provision from operations includes federal, as well as state and local taxes. The tax provision for 2019 and 2018 represents effective tax rates of 22.6% and 25.0%, respectively. The difference between these effective rates and the federal statutory rate is principally due to state income taxes, as well an adjustment to the 2019 tax provision other adjustments.

Net Income

Net income was $26.4 million, or $1,355 per basic and diluted share in 2019, compared to net income in 2018 of $25.4 million, or $1,256 per basic share and $1,254 per diluted share.

LIQUIDITY AND CAPITAL

Brighton Communications Corporations ("Brighton"), a direct, wholly-owned subsidiary of LICT, owns substantially all the subsidiaries within the LICT consolidated group of companies. As such, Brighton receives the cash flow from the operating subsidiaries and distributes that cash flow to LICT.

LICT replaced a credit facility that Brighton had in place with CoBank. LICT closed on a new 5-year, $50 million unsecured Revolving Credit Facility with CoBank in January of 2020. 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.

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 December 31, 2020, and 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, principal only	$13,176	$12,338	$838	--	--
Revolving credit facility with bank, principal only	50,000	30,000	--	20,000	--
Interest on debt and notes	2,194	855	888	451	--
Operating leases	4,429	865	897	601	2,066
Total contractual cash obligations and commitments	$69,799	$44,058	$2,623	$21,052	$2,066

At December 31, 2020, total debt, was $63.2 million, compared to $24.7 million at December 31, 2019. At December 31, 2020, there was $13.2 million of fixed interest rate debt at 6% and 4%, and $50.0 million of variable interest rate debt, averaging 2.2%. In addition, the revolving credit facility is secured by the assets and common stock of the subsidiaries that are not already pledged.

As of December 31, 2020, the ratio of total debt (excluding the operating leases and future interest) to EBITDA was 1.20 to 1.

As of December 31, 2020, LICT had current assets of $102.4 million and current liabilities of $54.1 million resulting in working capital of $48.3 million, compared to working capital of $30.4 million at December 31, 2019. The increase was primarily due to cash generated by operations, gains on sale of assets, as well as higher utilization of the line of credit.

The Company continues to evaluate significant refinancing initiatives which will enhance our ability to take the operational steps necessary to position the organization for future success.

Sources and Uses of Cash

Subsidiaries of the Company continue to participate in the FCC's Auctions. As part of the prescribed auction procedures, these subsidiaries are required to make an upfront deposit to participate in these Auctions. This upfront deposit would be used to pay for spectrum licenses acquired in the Auctions, if any, and excess returned to the Company's subsidiaries. Participation in these Auctions impacts the Company's short-term liquidity and if significant licenses are successfully acquired, they could impact long-term liquidity.

The Company participated in FCC Auction 101-28GHz and Auction 102- 24 GHz during 2019. Auction 101 was completed on January 24, 2019 and Auction 102 was completed on May 28, 2019. In Auction 101, LICT acquired 10 licenses of 28 GHz spectrum in Kansas and Nevada. In Auction 102, LICT acquired 47 licenses of 24 GHz spectrum in California, Iowa, Kansas, Michigan New Hampshire, New Mexico, Utah, and Wyoming.

The Company participated in three separate FCC Auctions during 2020, Auction 105- CBRS, Auction 904 -RDOF and Auction 107 – 3.7 GHZ. FCC Auction 105 – CBRS band ended on August 25, 2020 and LICT acquired 162 licenses. These licenses where in 78 counties within 11 states, including California, Iowa, Idaho, Kansas, Michigan, Missouri, New Mexico, Nevada, Oregon, Utah and Wisconsin.

In Auction 904, also known as Rural Development Opportunity Fund or "RDOF", which ended on November 23, 2020, LICT was awarded 8 census block groups in California, Iowa and Wisconsin. Auction 904 is a part of the Federal Communications Commission's Universal Service Fund supporting the expansion of broadband internet services to underserved rural areas of the United States.

The Company participated in FCC Auction 107 – 3.7 GHz band ended on February 18, 2021. In this auction, LICT acquired 5 licenses in Iowa, New Mexico and Utah.

On February 25, 2019, the FCC again expanded the A-CAM program for those companies whose support was initially capped and offered LICT companies $4.6 million in additional annual A-CAM funding, retroactive to January 1, 2019. In March 2019, all of LICT's original A-CAM companies, in six states, accepted the additional A-CAM funding through 2028 with the associated increase in broadband build-out requirements. The additional $4.6 million of A-CAM funding went to four of LICT's states and the remaining two A-CAM states did not receive any additional funding but did receive two additional years of A-CAM support through 2028 for the increased build-out requirements.

In 2019, the FCC also provided an opportunity for all remaining CAF-BLS companies, which included our two Wisconsin ILECs, to convert to a new USF mechanism called A-CAM II. A-CAM II funding replaced the existing HCLS and CAF-BLS high-cost support mechanisms. In the summer of 2019, LICT elected A-CAM II for our Wisconsin ILEC properties effective January 1, 2019. Total A-CAM and A-CAM II cash receipts were $32.1 million and $32.3 million in 2020 and 2019 respectively.

Cash and cash equivalents at December 31, 2020, was $67.3 million, an increase of $58.9 million from 2019.

Net cash provided by continuing operations of $44.2 million in 2020, $45.8 million in 2019 and $46.3 million in 2018 was primarily used to invest in plant and equipment, repay debt and acquire treasury shares. As noted above, in 2019, LICT companies elected to receive an additional $4.6 million of A-CAM funding beginning in 2019, as well as an incremental increase in annual revenue of $0.7 million of A-CAM II funding received in the summer of 2019.

Capital expenditures were $28.2 million in 2020, $26.4 million in 2019 and $21.4 million in 2018.

From 2008 through 2020, 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 ended on September 28, 2017 and, as a result of the Tax Cuts and Jobs Act, 100% after September 28, 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 MODOC Partnership of $0.6 million in 2020, $2.5 million in 2019 and $2.2 million in 2018.

The Company sold it 25% ownership in MODOC #2 for $16.9 million in January 2020. In November 2020, it sold its Topeka, Kansas AWS spectrum for $3.9 million.

The Company's Board of Directors has authorized the purchase of up to 8,999 shares of the Company's common stock. Through December 31, 2020, the Company purchased 8,117 shares in the open market at an average investment of $6,415 per share, including 655 shares purchased in 2020 at an average investment of $16,821 per share. The Company has not paid any cash dividends since its spin-off from Lynch Corporation in 1999.

The Company has spun-off three entities: Morgan Group Holding Co. (2002), CIBL, Inc. (2007), and ICTC Group, Inc. (2010). Since its spin-off from LICT, CIBL has made cash distributions to shareholders of $170 per share. On October 18, 2018, ICTC Group, Inc was acquired by a neighboring North Dakota ILEC and LICT shareholders, if they retained their shares, received $848.25 acquisition price per share; $65.25 times the spin-off ratio of 13 ICTC shares for each share LICT owned.

LICT Corporation and Subsidiaries

Consolidated Financial Statements
As of December 31, 2020 and 2019, and for the Years
Ended December 31, 2020, 2019, and 2018

LICT Corporation and Subsidiaries

Consolidated Financial Statements
As of December 31, 2020 and 2019,
and for the Years Ended December 31, 2020, 2019, and 2018

LICT Corporation and Subsidiaries

Contents

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Independent Auditor's Report

The Board of Directors
LICT Corporation and Subsidiaries
Rye, New York

We have audited the accompanying consolidated financial statements of LICT Corporation and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, Shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LICT Corporation and Subsidiaries as of December 31, 2020 and 2019, and the results of its their operations and it's their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Stamford, CT
May 11, 2021

LICT Corporation and Subsidiaries

Consolidated Balance Sheets
(in thousands, except share data)

December 31,		**2020**		2019
Assets				
Current Assets				
Cash and cash equivalents	**$**	**67,324**	$	8,415
Receivables, less allowances of $179 and $220, respectively		**6,443**		8,012
Materials and supplies		**5,221**		4,448
Deposits, prepaid expenses and other current assets		**23,458**		22,858
Total Current Assets		**102,446**		43,733
Property, Plant and Equipment, Net		**109,545**		98,992
Goodwill		**48,048**		48,048
Other Intangibles		**11,832**		7,510
Investments in Affiliated Companies		**3,636**		7,687
Other Assets		**7,869**		8,439
Total Assets	**$**	**283,376**	$	214,409
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable	**$**	**4,354**	$	3,813
Accrued interest payable		**286**		130
Accrued liabilities		**7,089**		5,447
Current maturities of long-term debt		**42,338**		3,878
Total Current Liabilities		**54,067**		13,268
Long-Term Debt		**20,838**		20,800
Deferred Income Taxes		**22,357**		20,186
Other Liabilities		**5,519**		5,810
Total Liabilities		**102,781**		60,064
Commitments and Contingencies (Note 13)				
Shareholders' Equity				
Common stock, $0.01 par value; 10,000,000 shares authorized; 26,830 issued; 18,533 and 19,188 outstanding, respectively				
Additional paid-in capital		**17,859**		17,859
Retained earnings		**221,479**		184,211
Treasury stock, 8,297 and 7,642 shares, respectively, at cost		**(58,743)**		(47,725)
Total Shareholders' Equity		**180,595**		154,345
Total Liabilities and Shareholders' Equity	**$**	**283,376**	$	214,409

See accompanying notes to consolidated financial statements.

LICT Corporation and Subsidiaries

Consolidated Statements of Income
(in thousands, except share data)

Year ended December 31,		**2020**		2019		2018
Revenues	**$**	**124,174**	$	117,958	$	114,135
Operating Costs						
Cost of revenue, excluding depreciation and amortization		**54,244**		51,731		47,770
General and administrative costs at operations		**12,376**		11,681		11,273
Corporate office expense		**3,652**		3,876		4,006
Charitable contributions		**1,140**		1,272		2,477
Depreciation and amortization		**17,349**		19,256		19,590
Operating Profit		**35,413**		30,142		29,019
Other Income (Expense)						
Investment income		**547**		332		612
Interest expense		**(1,752)**		(1,487)		(1,740)
Equity in earnings of affiliated companies		**320**		2,666		2,732
Gain from the sale of investment		**13,071**		-		-
Other		**3,477**		2,475		3,276
Total Other Income		**15,663**		3,986		4,880
Income from Continuing Operations, before tax provision		**51,076**		34,128		33,899
Tax Provision from Continuing Operations		**(13,808)**		(7,737)		(8,480)
Income from Continuing Operations, net of taxes		**37,268**		26,391		25,419
Income from Discontinued Operations, before tax provision		**-**		258		492
Loss on Sale of Discontinued Operations		**-**		(388)		-
Tax Provision from Discontinued Operations		**-**		(62)		(130)
(Loss) Income from Discontinued Operations, net of taxes		**-**		(192)		362
Net Income	**$**	**37,268**	$	26,199	$	25,781

See accompanying notes to consolidated financial statements.

(Continued)

LICT Corporation and Subsidiaries

Consolidated Statements of Income
(in thousands, except share data)

Year ended December 31,		**2020**		2019		2018
Basic Weighted-Average Shares Outstanding		**18,807**		19,479		20,232
Effect of diluted shares:						
Restricted stock awards		**-**		35		36
Diluted Weighted-Average Shares Outstanding		**18,807**		19,514		20,268
Continuing Operations						
Basic earnings per share	**$**	**1,982**	$	1,355	$	1,256
Diluted earnings per share		**1,982**		1,352		1,254
Discontinued Operations						
Basic earnings (loss) per share	**$**	**-**	$	(10)	$	18
Diluted earnings (loss) per share		**-**		(10)		18

See accompanying notes to consolidated financial statements.

LICT Corporation and Subsidiaries

Consolidated Statements of Shareholders' Equity
(in thousands, except share data)

	Shares of Common Stock Outstanding	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2017	20,509	$ 17,470	$ 131,734	$ (26,965)	$ 122,239
Adoption of ASC 606	-	-	497	-	497
Net income from continuing operations	-	-	25,419	-	25,419
Net income from discontinued operations	-	-	362	-	362
Purchase of treasury stock	(613)	-	-	(8,323)	(8,323)
Restricted stock awards	35	175	-	-	175
Balance, December 31, 2018	19,931	17,645	158,012	(35,288)	140,369
Net income from continuing operations	-	-	26,391	-	26,391
Net loss from discontinued operations	-	-	(192)	-	(192)
Purchase of treasury stock	(743)	-	-	(12,437)	(12,437)
Restricted stock awards	-	214	-	-	214
Balance, December 31, 2019	19,188	17,859	184,211	(47,725)	154,345
Net income from continuing operations	-	-	37,268	-	37,268
Purchase of treasury stock	(655)	-	-	(11,018)	(11,018)
Balance, December 31, 2020	18,533	$ 17,859	$ 221,479	$ (58,743)	$ 180,595

See accompanying notes to consolidated financial statements.

LICT Corporation and Subsidiaries

Consolidated Statements of Cash Flows (in thousands)

Year ended December 31,	**2020**	2019	2018
Cash Flows from Operating Activities			
Net income	$ **37,268**	$ 26,199	$ 25,781
Less: net income from discontinued operations	-	(196)	(362)
Loss on sale of discontinued operations, net of tax	-	388	-
Net Income from Continuing Operations	**37,268**	26,391	25,419
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities from continuing operations:			
Depreciation and amortization	**17,392**	19,256	19,590
Equity in earnings of affiliated companies	**(320)**	(2,666)	(2,732)
Distributions received from affiliated companies	**564**	2,525	2,200
Deferred income tax provision	**2,171**	3,747	1,678
Unrealized gains on securities	**(49)**	-	-
Restricted stock award expense	-	214	175
Gain from the sale of investment	**(13,701)**	-	-
Other gains	**(2,785)**	(2,493)	(3,314)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Trade accounts receivable, net of allowances	**1,569**	472	33
Income taxes receivable (payable)	**2,204**	(2,734)	2,737
Trade accounts payable and accrued liabilities	**791**	(37)	1,157
Other assets and liabilities	**(908)**	1,175	(615)
Net Cash Provided by Operating Activities from Continuing Operations	**44,196**	45,850	46,328
Cash from operating activities from discontinued operations	-	485	569
Loss on sale of discontinued operations, net of tax	-	(388)	-
Net Cash Provided by Operating Activities from Discontinued Operations	-	97	569
Net Cash Provided by Operating Activities	**44,196**	45,947	46,897
Cash Flows from Investing Activities			
Capital expenditures	**(28,232)**	(26,432)	(21,401)
Acquisition of business	-	(138)	-
Proceeds from sale of investments	**16,900**	-	-
Proceeds from sale of license	**3,900**	-	-
Purchase of securities	**(552)**	-	-
Deposit with FCC for auctions	**(20,000)**	(20,000)	(20,000)
Return of deposit from FCC	**20,000**	20,000	-
Net proceeds from contingent payment from affiliate	-	2,493	3,314
Acquisition of licenses	**(4,809)**	(4,916)	-
Note receivable	-	2,850	-
Other	**214**	391	742
Net Cash Used in Investing Activities from Continuing Operations	**(12,579)**	(25,752)	(37,345)
Net Cash Used in Investing Activities from Discontinued Operations	-	(776)	(527)
Net Cash Used in Investing Activities	$ **(12,579)**	$ (26,528)	$ (37,872)

(Continued)

LICT Corporation and Subsidiaries

Consolidated Statements of Cash Flows (in thousands)

Year ended December 31,		**2020**		2019		2018
Cash Flows from Financing Activities						
Payments to reduce long-term debt	**$**	**(2,502)**	$	(2,298)	$	(2,425)
Borrowings from (repayment of) line of credit		**41,000**		(4,000)		2,400
Purchase of treasury stock		**(11,018)**		(12,437)		(8,323)
Payments of debt issuance cost		**(188)**		-		-
Net Cash Provided by (Used in) Financing Activities		**27,292**		(18,735)		(8,348)
Net Increase in Cash and Cash Equivalents		**58,909**		684		677
Cash and Cash Equivalents, beginning of year		**8,415**		7,731		7,054
Cash and Cash Equivalents, end of year		**67,324**		8,415		7,731
Cash and Cash Equivalents of Discontinued Operations, end of year		**-**		-		177
Cash and Cash Equivalents of Continuing Operations, end of year	**$**	**67,324**	$	8,415	$	7,554
Supplemental Cash Flow Information						
Cash paid during the year for:						
Interest	**$**	**1,550**	$	1,466	$	1,591
Income tax payments, net of refunds		**9,554**		3,764		4,527
Non-cash transactions:						
Right-of-use assets obtained in exchange for new operating lease liabilities		**28**		3,037		-
Net change of capital expenditures in accounts payable		**116**		181		1,401
Value of Common Stock received from sale of Discontinued Operations		-		1,750		-

See accompanying notes to consolidated financial statements.

1. Accounting and Reporting Policies

Organization

LICT Corporation and Subsidiaries (the Company or LICT) is an integrated communications company that trades on the OTC Pink Sheets under the symbol LICT and has not paid cash dividends since its inception in 1990.

LICT's telecommunications subsidiaries operate in rural communities in nine states, providing regulated and unregulated communications services including local telephone service, network access, transport, high-speed internet access, long-distance service, cable television, and competitive local exchange carrier (CLEC) services. LICT's operating telephone companies include Western New Mexico Telephone Company in New Mexico; Cuba City Telephone Exchange Company and Belmont Telephone Company in Wisconsin; J.B.N. Telephone Company and Haviland Telephone Company in Kansas; Upper Peninsula Telephone Company and Michigan Central Broadband Company in Michigan; Central Scott Telephone Company in Iowa; Central Utah Telephone, Skyline Telecom and Bear Lake Communications in Utah; and California-Oregon Telephone Company in California.

COVID-19

A novel strain of coronavirus (COVID-19) was first identified in December 2019, and subsequently declared a global pandemic by the World Health Organization on March 11, 2020. As a result of the outbreak, companies have experienced disruptions in their operations and in markets served. The Company instituted numerous precautionary measures intended to help ensure the well-being of its employees, continue providing essential telecommunications services to its customers and minimize business disruption. As COVID-19 restriction eased in some states, the Company began having employees who had been working from home since March 2020 return to their normal work locations while continuing to empower the technicians to reschedule any in-person installation or repair if they determine that circumstances at the location present a health risk. During the second half of 2020, the Company experienced shifts in customer demand, and residential consumes requested new or faster Internet speeds to facilitate more people working and learning from home. The increases were partially offset by reduced demand from businesses who primarily relied on tourism or encouraged employees to work remotely when possible. An immaterial number of customers requested payment extensions under governmental programs designed to reduce the economic impact of the pandemic on families. While management continues to actively monitor the evolving nature of the COVID-19 outbreak on its business, the Company is not able to accurately estimate the potential adverse effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future fiscal years. However, as of May 11, 2021, the Company has not experienced an adverse material impact.

Basis of Presentation

The accompanying consolidated financial statements represent the accounts of LICT and its wholly owned subsidiaries, which provide communications (voice and data), cable television, and internet services. All significant inter-company transactions and balances have been eliminated in consolidation. Investments in affiliates in which the Company does not have majority voting control but has the ability to significantly influence financial and operating policies are accounted for in accordance with the equity method of accounting. The Company accounts for the following affiliated companies on the equity method of accounting: cellular partnership in California (25% owned) through January 2, 2020, and telecommunications operations in California, Kansas, New York 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 Company's telephone subsidiaries are public utilities that are regulated by both the Federal Communications Commission (FCC) and various state commissions. The subsidiaries follow the accounting prescribed by the Uniform System of Accounts of the FCC, the state commissions, and regulated accounting practices. Where applicable, this regulated accounting recognizes the economic effects of rate regulation by recording costs and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. Accordingly, the Company is required to depreciate telephone plant over useful lives prescribed by regulators that would otherwise be determined by management. Criteria that would give rise to the discontinuance of regulatory accounting practices include (1) increasing competition restricting the Company's wireline businesses' ability to establish prices to recover specific costs, and (2) significant changes in the manner in which rates are set by regulators from cost-based regulation to another form of regulation. The Company periodically reviews the applicability of regulatory accounting guidelines based on the developments in its current regulatory and competitive environments.

The Company sold its New Hampshire operations on December 31, 2019. Results of the sold operations are reported as discontinued operations for all periods presented in the consolidated balance sheets, statements of income, shareholders' equity and cash flows (see Note 15).

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts; the valuation of deferred tax assets; goodwill and other intangible assets; marketable securities; liabilities for income tax uncertainties; the application of regulated accounting practices; reserves for National Exchange Carrier Association (NECA) revenues; and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less when purchased.

Concentration of Risks

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents. Management believes the financial risks associated with these financial instruments are minimal.

Cash equivalents held in United States Treasury money market funds totaled $61.9 million and $4.4 million at December 31, 2020 and 2019, respectively, and are insured by the Securities Investor Protection Corporation up to $500,000 per separate capacity account. The Company maintains its cash balance in accounts that, at times, may exceed the $250,000 Federal Deposit Insurance Corporation limits per financial institution.

In 2020, the Company received $44.5 million, or 36% of its revenue, from the Federal Universal Service Fund, various state funds and NECA. In 2019 and 2018, respectively, the Company received $44.4 million, or 38%, and $42.2 million, or 36%, from such sources.

Investment in Securities

The Company carries its investments in marketable equity securities at fair value and records the subsequent changes in fair values in the consolidated statements of income as a component of other income (expense).

Investment Income - Patronage

The Company has loans with CoBank, a cooperative owned and controlled by its members that requires each customer to own a restricted share of CoBank. Each member borrowing from CoBank receives patronage refunds. In 2020, 2019 and 2018, 75% of patronage refunds were received in cash, with the balance in CoBank stock. Total patronage refunds were $0.1 million in 2020, $0.1 million in 2019, and $0.1 million in 2018, and were included as investment income in the Company's consolidated statements of income. Patronage stock is redeemable at its face value for cash ten years after the related debt is paid off. Patronage redemptions were $0.3 million in 2020, $0.3 million in 2019 and $0.3 million in 2018.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. Receivable balances are reviewed on an aged basis and account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is doubtful. Due to the dispersed geographic nature of the Company's operations and the residential nature of its customers, no single customer, or identifiable group of customers, accounts for a significant amount of the Company's receivable balances, other than from NECA, as discussed in *Revenue Recognition* below.

Materials and Supplies

Materials and supplies are stated at cost and are not held for sale, but rather for purposes of supporting the Company's business.

Deposits

From time to time, the Company participates in spectrum auctions with the FCC that require upfront deposits to participate. FCC rules restrict information that bidders may disclose about their participation in these auctions, including the amount of their upfront payments.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and include expenditures for additions and major improvements for the Company's regulated telephone companies, include an allowance for funds used during construction. Maintenance and repairs are charged to operations as incurred. Depreciation of telephone plant is computed on the straight-line method using class or overall group rates acceptable to regulatory authorities. This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment, and as such, amounts are recovered through rates authorized by regulatory authorities. Accordingly, the Company is required to depreciate plant and equipment over the useful lives that would otherwise be determined by management. Depreciation of non-telephone property is computed on the straight-line method over the estimated useful lives of the assets.

Depreciable lives for the Company's telephone and non-telephone properties, excluding land, range from 15 to 40 years for buildings, three to 50 years for machinery and equipment and three to 25 years for other assets. Regulated telecommunication assets acquired from other regulated entities are capitalized using the pre-existing entity's gross cost and associated accumulated depreciation.

When a portion of the Company's depreciable property, plant and equipment relating to its telephone operations business is retired, the gross carrying value of the assets, including cost of disposal and net of any salvage value, is charged to accumulated depreciation, in accordance with regulated accounting procedures.

Business Acquisitions

The Company accounts for business acquisitions using the purchase method of accounting and, accordingly, the consolidated financial statements reflect the allocations of the total purchase price to the net tangible and intangible assets acquired, based on their respective fair values at the date of acquisition. The results of operations of acquired businesses are reflected by the Company from the date of acquisition. Transaction costs related to the business acquisitions are expensed as incurred and included in general and administrative costs in the consolidated statements of income. On September 10, 2019, Upper Peninsula Telephone Company, a wholly owned subsidiary of LICT, acquired selected assets and operations from Sunrise Communications, a cable television provider in Northern Michigan.

Goodwill and Other Intangible Assets

On January 1, 2017, the Company adopted Accounting Standards Update (ASU) 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*, and the guidance was applied prospectively. Under the standard, if "the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit." The Company performed its annual impairment tests of goodwill as of September 30, 2020, 2019 and 2018 and no impairment charge was required.

The Company evaluates the recoverability of goodwill and other intangible assets with indefinite lives for impairment annually, or more often, whenever events or circumstances indicate that such assets may be impaired. With respect to goodwill, the Company estimates the fair value of each reporting unit based on a number of subjective factors, including: (a) appropriate weighting of valuation approaches (income approach and market approaches), (b) estimates of the Company's future cost structure, (c) discount rates for the Company's estimated cash flows, (d) selection of peer group companies for the market approach, (e) required level of working capital, (f) assumed terminal value and (g) time horizon of cash flow forecasts.

The impairment test for other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company estimates the fair value using Level 3 inputs.

In addition to goodwill, intangible assets with indefinite lives, including cellular licenses and spectrum, had a carrying value of $11.8 million and $7.5 million at December 31, 2020 and 2019, respectively. The December 31, 2020 carrying value had increased as a result of the acquisitions of $4.8 million of licenses in 2020 less $0.5 million for the sale of the Advanced Wireless Services (AWS) license for Topeka Kansas. The Company performed its annual assessment of impairment for these assets as of December 31, 2020, 2019 and 2018 and no impairment charge was required.

The Company's subscriber lists and related rights are generally amortized on a straight-line basis over a ten to 15-year life. Such intangible assets had a gross value of $3.5 million at December 31, 2020, 2019 and 2018 and accumulated amortization of $3.5 million at December 31, 2020 and 2019, respectively. Amortization expense was $2,000 in 2020, and $17,000 in 2019 and 2018. Such intangible assets are included in other intangibles.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset (or asset group) to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases. There were no asset impairments recorded during the years ended December 31, 2020, 2019 and 2018.

Deferred Financing Costs

Expenses incurred in connection with the issuance of long-term debt are deferred and are amortized over the life of the respective debt issued. During 2020, the Company incurred deferred financing fees of approximately $188,000. Amortization amounted to $43,000 for 2020, $87,000 for 2019 and 2018. These amounts were recorded as interest expense.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09 *Revenue from Contracts with Customers (Topic 606),* which superseded the revenue recognition requirements in the Accounting Standards Codification (ASC), *Revenue Recognition,* and most industry-specific guidance throughout the industry topics of the ASC. The core principle of ASU 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The standard provides a five-step approach to be applied to all contracts with customers and requires expanded disclosures about revenue recognition. ASU 2016-08, *Principal Versus Agent Considerations*, amended ASU 2014-09 to clarify if an entity is considered a principal, an agent, or both in the contract. ASU 2016-20, *Technical Corrections and Improvements in Topic 606: Revenue from Contracts with Customers*, provided additional clarification to topics addressed in ASU 2014-09. The Company has adopted all three ASCs (ASC 606) on a modified retrospective basis. The adoption resulted in the establishment of a contract asset consisting of contract acquisition costs associated with sales commissions. The Company's customer contracts include performance obligations that are satisfied as products are delivered at a point in time or over time. Under the new standard, recognizing revenue for these performance obligations is consistent with the Company's current practice of recognizing revenue.

The January 1, 2018 adoption resulted in the establishment of a contract asset consisting of contract acquisition costs associated with sales commissions of $497,000, net of deferred income tax. Adoption resulted in a net decrease in cost of revenue of $102,000 for the year ended December 31, 2018, reflecting the net effect of the deferral of sales commissions incurred in 2019 offset by the amortization of deferred sales commissions incurred in prior years.

At contract inception, the Company assesses the goods and services to be provided to the customer and identifies the associated performance obligation. The Company considers all obligations, whether they are explicitly stated in the contract or are implied by customary business practices.

Leases

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 of 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. The Company also elected the package of practical expedients, which, among other things, does not require reassessment of lease classification, initial direct costs, or terms within expired or existing contracts.

The initial impact from the adoption of this standard on the consolidated balance sheet was the recognition of approximately \$0.7 million of current operating lease liabilities, which are included in accrued liabilities, and \$2.9 million of long-term operating lease liabilities, which are included in other liabilities, with corresponding operating lease ROU assets of approximately \$3.6 million, which are included in other assets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. If a discount rate is not stated within the lease agreement, the estimated incremental borrowing rate is derived from information available at the lease commencement date to determine the present value of lease payments. To estimate the incremental borrowing rate, a risk-free rate plus incremental interest rate spread for collateralized debt is used and updated on an annual basis. Multiple incremental borrowing rates that correspond to term of the leases are used.

Short-term leases primarily consist of month-to-month leases where either party has the option to cancel with less than one year’s notice, or for those leases where the agreement terms are not final. Expenses are recognized as incurred.

See Note 11 - Leases for additional information.

Stock-Based Compensation

The Company used a fair value-based method of accounting for stock-based compensation provided to its employees. The estimated fair value of restricted stock awards (RSAs) is determined by using the closing price of common stock (Common Stock) on the day prior to the grant date. The total expense, which would be reduced by estimated forfeitures, is recognized over the vesting period for these shares from the date of grant to the vesting date. During the vesting period, dividends to RSA holders are held for them until the RSA vesting dates and are forfeited if the grantee is no longer employed by the Company on the vesting dates. Dividends declared on these RSAs, less estimated forfeitures, are charged to retained earnings on the declaration date.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax effects attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Accounting guidance concerning uncertain income tax positions requires the Company to recognize the effect of income tax positions only if those positions are more likely than not to be sustained. There were no uncertain tax positions to report in 2020 and 2019. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Earnings per Share

Basic and diluted earnings per common share amounts are based on the weighted-average number of common shares outstanding during each period. The RSAs are dilutive, and the weighted-average outstanding is included in the diluted weighted-average number of common shares.

2. Investments in Affiliated Companies

A subsidiary of LICT owns 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 to Verizon for proceeds of $16.9 million, resulting in a gain on sale of $13.1 million recorded in other income (expense) in the consolidated statements of income. As of December 31, 2019, the carrying value of the equity ownership in the partnership was $4.4 million.

The Company owns a 20% equity position in Brick Skirt Holdings, Inc. (Brick Skirt), an operator of a former subsidiary that was sold on December 24, 2014. Brick Skirt provides broadband, voice and other telecommunications services in areas of western New York State, principally the Dunkirk/Fredonia, Cassadaga and Jamestown areas. The equity method is utilized to recognize the results of DFT operations in the Company results. As part of the sale, the Company held a $3.25 million promissory note from Brick Skirt. During 2019 and 2018, LICT recorded investment income related to this promissory note of $83,000 and $165,000, respectively. In the first quarter of 2019, the Company agreed to discount the original note of $3.25 million; accordingly, the amount as of December 31, 2018 was discounted to a fair value of $2.85 million. The note was paid in full in June of 2019.

Undistributed earnings of companies accounted for using the equity method that are included in consolidated retained earnings are $0.4 million and $3.8 million as of December 31, 2020 and 2019, respectively.

In 2019 and 2018, the Company received final distributions of $2.5 million and $3.3 million, respectively, from an affiliated entity that secured a contingent payment from a transaction that originally closed in 2012. Such amounts are included within other income (expense).

3. Property, Plant and Equipment

Components of the Company's property, plant and equipment and accumulated depreciation are as follows (in thousands):

Year ended December 31,		2020		2019
Land	**$**	**1,056**	$	1,056
Buildings and leasehold improvements		**17,795**		17,575
Machinery, vehicles, equipment and construction in process		**391,696**		368,885
		410,547		387,516
Accumulated depreciation		**(301,002)**		(288,524)
	$	**109,545**	$	98,992

Depreciation and amortization expense for 2020, 2019 and 2018 was approximately $17.3 million, $19.3 million and $19.6 million, respectively.

4. Line of Credit and Debt

The Company's long-term debt facilities contain covenants that restrict the distribution of cash and other net assets between subsidiaries or to the parent company. Long-term debt represents borrowings by various subsidiaries of LICT (in thousands).

Year ended December 31,		2020		2019
Long-term debt consists of:				
Revolving credit facility from CoBank, ACB through 2025	**$**	**50,000**[(a)]	$	9,000
Secured notes issued to sellers in connection with acquisitions at fixed interest rate of 6.0%		**7,647**		7,647
Unsecured notes issued to sellers in connection with acquisitions at fixed interest rates of 4.0% and 6.0%		**5,529**		8,031
		63,176		24,678
Current maturities		**(42,338)**		(3,878)
	$	**20,838**	$	20,800

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 December 31, 2020 is LIBOR plus 2.0%. The credit facility is secured by a pledge of the stock of the Company's subsidiaries. The outstanding balance under the line-of-credit facility with CoBank, included as revolving credit facility in the table above, was $50.0 million at December 31, 2020 and $9.0 million at December 31, 2019. The average balance of the line of credit outstanding was $39.3 million in 2020 and $5.6 million in 2019; the highest amount outstanding was $50.0 million in 2020; and the average interest rate was 2.2% in 2020 and 5.02% in 2019. As of December 31, 2020, the Company was in compliance with all covenants in the revolving credit facility agreement.

(a) During the first quarter of 2021, the Company paid down $30.0 million of the CoBank revolving credit facility.

Aggregate principal maturities of long-term debt at December 31, 2020 for each of the next five years are as follows: 2021 - $42.4 million, 2022 - $0.5 million, 2023 - $0.3 million, 2024 - $0.0 million and 2025 - $20.0 million.

5. Related-Party Transactions

Since 1998, LICT leases its corporate headquarters from an affiliate of its Chairman. The lease expires in 2023 and rent expense, including utilities and escalation, was $120,000, $116,000 and $119,000 in 2020, 2019 and 2018, respectively. In addition, expenses relating to administrative support, transportation, and communications paid to the same affiliate were $108,000, $136,000 and $142,000 for 2020, 2019 and 2018, respectively. The Company sublets 485 square feet of its corporate office space to another affiliate of the Chairman. The sublet lease expires on December 5, 2023 and the base rental rate is $20,000 per annum.

At December 31, 2020 and 2019, assets of $61.9 million and $4.4 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 serve as investment managers to the respective funds.

Shares of CIBL, Inc. (CIBL) were distributed to LICT shareholders in 2007. LICT is party to a Transitional Administrative and Management Services Agreement (TAMSA), under which LICT provides management and administrative services to CIBL, extended annually by the parties. Payments under these agreements were $125,000 in 2020, 2019, and 2018. On December 31, 2019, the Company sold its New Hampshire operations to CIBL (see Note 15 - Sale of New Hampshire Operations (Discontinued Operations).

The Company has subordinated notes payable to former owners of certain of its telephone companies in connection with acquisitions (see Note 4).

6. Shareholders' Equity

LICT's Board of Directors has authorized the purchase of up to 8,999 shares of its common stock. For the year ended December 31, 2020, 655 shares have been purchased on the open market, at an average investment of $16,821 per share.

7. Income Taxes

LICT files a consolidated income tax return with its subsidiaries for federal income tax purposes. Certain entities file separate state and local income tax returns, while others file on a combined or consolidated basis.

The provision for income taxes from continuing operations is summarized as follows (in thousands):

Year ended December 31,		**2020**		2019		2018
Current taxes:						
Federal	**$**	**8,092**	$	2,764	$	5,178
State and local		**3,545**		1,226		1,624
Total Current Taxes		**11,637**		3,990		6,802
Deferred taxes:						
Federal		**1,438**		3,017		1,172
State and local		**733**		730		506
Total Deferred Taxes		**2,171**		3,747		1,678
Total Provision for Income Taxes	**$**	**13,808**	$	7,737	$	8,480

A reconciliation of the provision for income taxes and the amount computed by applying the statutory federal income tax rate to income before income taxes follows (in thousands).

Year ended December 31,		**2020**		2019		2018
Tax at statutory rate	**$**	**10,726**	$	7,085	$	7,119
Increases (decreases):						
State and local taxes, net of federal benefit		**3,543**		1,727		1,683
Other		**(461)**		(1,075)		(322)
Total Provision for Income Taxes	**$**	**13,808**	$	7,737	$	8,480

Deferred income taxes for 2020 and 2019 are provided for the temporary differences between the financial reporting basis and the tax bases of the Company's assets and liabilities. Cumulative temporary differences are as follows (in thousands):

Year ended December 31,		**2020**		2019
Fixed assets and depreciation	**$**	**18,695**	$	15,838
Partnership tax losses in excess of book losses		**55**		829
Goodwill		**3,643**		3,643
Right-of-use asset		**724**		808
Lease liability		**(731)**		(803)
Other reserves and accruals		**(29)**		(129)
Total Deferred Tax Liabilities	**$**	**22,357**	$	20,186

The Company has performed a review of the deferred tax provisions and has concluded that there is no valuation allowance adjustment needed. The Company recognizes tax liabilities in accordance with guidance for uncertain tax positions and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined. During 2020, the Company did not record or maintain any balance in its consolidated financial statements for uncertain tax positions. The Company does not anticipate significant changes to its unrecognized tax benefits in the next 12 months.

The Company remains subject to examination for tax years 2017 through 2020 by the Internal Revenue Service and, with few exceptions, is subject to state examinations by tax authorities for the same four years.

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of the employer portion of social security tax payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increase limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The Company evaluated the provisions of the CARES Act and concluded that most of the provisions of the CARES Act did not apply to the Company and chose not to defer the employer portion of the social security tax payments.

8. Fair Value Measurement

The Company follows the authoritative guidance for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis, and of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis or are presented only in disclosures. Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in inactive markets. Level 3 inputs are unobservable.

The Company has assets that are measured at fair value: U.S. Treasury money market funds, included in cash and cash equivalents in the accompanying consolidated balance sheets, which are classified as Level 1 inputs because they are valued using quoted market prices. U.S. Treasury money market funds had a value of $61.9 million and $4.4 million at December 31, 2020 and 2019, respectively.

Cash in banks, trade accounts receivable, short-term borrowings, trade accounts payable and accrued liabilities are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The fair value of the Company's borrowings under its long-term debt obligations is approximately $0.1 million higher than its carrying value based on borrowing rates for similar instruments. The fair value of the Company's revolving line of credit approximates carrying amount, as the obligations bear interest at the revolving credit rate.

The following table includes the equity securities included in other assets on the consolidated balance sheets based on management intent to hold them indefinitely and represents the fair value measurements and the level within the fair value hierarchy in which the fair value measurements are classified at December 31, 2020 and 2019:

December 31, 2020

	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Common Stock	$ 2,531	$ 2,531	$ -	$ -
Total Assets Accounted for, at fair value	$ 2,531	$ 2,531	$ -	$ -

December 31, 2019

	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Common Stock	$ 1,930	$ 1,930	$ -	$ -
Total Assets Accounted for, at fair value	$ 1,930	$ 1,930	$ -	$ -

9. Employee Benefit Plans

LICT maintains several defined contribution plans at its telephone subsidiaries and corporate office. LICT's contributions under these plans, which vary by subsidiary, are based primarily on the financial performance of the business units and employee compensation. Total discretionary employer contribution expense related to these plans was $2.0 million in 2020, $1.9 million in 2019 and $1.8 million in 2018.

The Company has a Principal Executive Bonus Plan that has been approved by the shareholders, for which $0.1 million, $0.1 million, and $0.8 million was recorded in 2020, 2019 and 2018, respectively.

10. Revenue Recognition

Revenue Accounted for in Accordance with ASC 606

Local access revenue is accounted for under ASC 606 and comes from providing local telephone exchange services and is billed to end users in accordance with tariffs filed with each state's Public Utilities Commission. Local access revenue is predominantly billed in advance and recognized as revenue when earned.

Interstate and intrastate access revenues handled as "bill-and-keep" (see notes under *Revenue Accounted for in Accordance with Other Guidance*) are accounted for under ASC 606, for which revenues are recognized as services are provided.

Broadband and related services, video including cable modem and other non-regulated revenues are accounted for under ASC 606, for which revenues are recognized as services are provided.

Revenue Accounted for in Accordance with Other Guidance

Revenues for regulated companies are generally derived from the Company's cost for providing services. Revenue that is billed in arrears includes most intrastate and interstate network access services, nonrecurring local services and long-distance services. The earned but unbilled portion of this revenue is recognized as revenue in the period that the services are provided.

Revenues from intrastate access are based on tariffs approved by each state's Public Utilities Commission and are subject to ASC 606 because they are handled on a bill-and-keep basis. Revenues from interstate access are either bill-and-keep or are derived from settlements with NECA and the Universal Service Administrative Company. Intrastate Universal Service Fund (USF), Interstate USF and Interstate settlement revenues are not accounted for under ASC 606. NECA was created by the FCC to administer interstate access rates and revenue pooling on behalf of small local exchange carriers who elect to participate in a pooling environment. LICT's Rural Local Exchange Carrier (RLEC) subsidiaries include eight cost-based companies and five average schedule companies. Interstate settlements for cost-based companies are determined based on the Company's cost of providing interstate telecommunications service, including investments in specific types of infrastructure and operating expenses and taxes. Interstate settlements for average schedule companies are determined based on formula-based costs using industry averages, which are intended to represent a surrogate for company-specific costs.

As of December 31, 2019, all of LICT's RLECs have voluntarily moved to a fixed amount of USF support based on the FCC's Alternative-Connect America Cost Model (A-CAM) and A-CAM II programs. The A-CAM and A-CAM II programs provide revenue for a ten-year period based on a cost model, rather than company-specific costs. Carriers electing A-CAM and A-CAM II are required to maintain voice and existing broadband service. In addition, they are required to offer at least 10/1 Mbps or 25/3 Mbps to a certain percentage of locations by the end of the ten-year support term in 2028, with deployment milestones along the way. The build-out requirements differ between the A-CAM and A-CAM II programs. Total 2020 A-CAM and A-CAM II revenues were $32.1 million, compared to $32.3 million earned in 2019.

For all revenue, the Company collects taxes from its customers on behalf of various governmental authorities and remits these taxes to the appropriate authorities. The collection of such taxes and fees is not recognized as revenue.

Deferred revenue resulting from large business installations or other services are included in other liabilities and are amortized over the customer life.

The following tables provide the Company's revenue disaggregated on the basis of revenue source and products (in thousands):

December 31, 2020

	Accounted for Under ASC 606	Accounted for Under Other Guidance	Total Revenue
Regulated Revenue			
Local access	$ 6,589	$ -	$ 6,589
Interstate access and USF	8,540	38,446	46,986
Intrastate access and USF	761	7,387	8,148
Other	1,047	59	1,106
Total Regulated Revenue	16,937	45,892	62,829
Non-Regulated Revenue			
Broadband and related services	49,453	-	49,453
Video	7,161	-	7,161
Other	4,731	-	4,731
Total Non-Regulated Revenue	61,345	-	61,345
Total Revenue	$ 78,282	$ 45,892	$ 124,174

December 31, 2020

	Accounted for Under ASC 606
Revenue accounted for in accordance with ASC 606 consisted of the following:	
Services transferred over time	$ 76,847
Equipment and long-distance service transferred at a point in time	1,435
Total Revenue	$ 78,282

December 31, 2019

	Accounted for Under ASC 606	Accounted for Under Other Guidance	Total Revenue
Regulated Revenue			
Local access	$ 6,849	$ -	$ 6,849
Interstate access and USF	8,164	38,150	46,314
Intrastate access and USF	650	8,229	8,879
Other	1,025	-	1,025
Total Regulated Revenue	16,688	46,379	63,067
Non-Regulated Revenue			
Broadband and related services	45,079	-	45,079
Video	5,324	-	5,324
Other	4,488	-	4,488
Total Non-Regulated Revenue	54,891	-	54,891
Total Revenue	$ 71,579	$ 46,379	$ 117,958

December 31, 2019

	Accounted for Under ASC 606
Revenue accounted for in accordance with ASC 606 consisted of the following:	
Services transferred over time	$ 70,117
Equipment and long-distance service transferred at a point in time	1,462
Total Revenue	$ 71,579

December 31, 2018

	Accounted for Under ASC 606	Accounted for Under Other Guidance	Total Revenue
Regulated Revenue			
Local access	$ 7,173	$ -	$ 7,173
Interstate access and USF	11,372	36,043	47,415
Intrastate access and USF	724	8,268	8,992
Other	1,049	-	1,049
Total Regulated Revenue	20,318	44,311	64,629
Non-Regulated Revenue			
Broadband and related services	40,158	-	40,158
Video	5,169	-	5,169
Other	4,179	-	4,179
Total Non-Regulated Revenue	49,506	-	49,506
Total Revenue	$ 69,824	$ 44,311	$ 114,135

December 31, 2018

		Accounted for Under ASC 606
Revenue accounted for in accordance with ASC 606 consisted of the following:		
Services transferred over time	$	68,168
Equipment and long-distance service transferred at a point in time		1,656
Total Revenue	$	69,824

Transaction Price Allocated to Remaining Performance Obligations

The aggregate amount of the transaction price allocated to the remaining performance obligations for contracts with customers that are unsatisfied, or partially unsatisfied, are accounted for in accordance with ASC 606. For equipment delivery, installation and configuration, and services, the performance obligation is expected to be satisfied within 12 months. For business broadband and other services, the performance obligation will be satisfied as the service is provided over the terms of the contracts, which typically range from one to five years. The Company's agreements with its residential customers are typically originated on a month-to-month basis, or one to two-year contracts converting to a month-to-month basis after expiration, and no provision is made for future performance obligations.

Contract Assets and Liabilities

The Company incurs certain incremental costs to obtain contracts that it expects to recover. These costs consist primarily of sales commissions and other directly related incentive compensation payments related to customer contracts. Incremental costs of obtaining contracts for which the term is one year or less are expensed as incurred. The Company does not incur material contract fulfillment costs associated with is contracts with customers. The cost of the Company's network and related equipment, and enhancements to the network required under customer contracts, is accounted for in accordance with ASC 360, *Property, Plant and Equipment*. When a customer adds a distinct service to an existing contract for the standalone selling price of that service, the new service is treated as a separate contract. Contract modifications and cancellations did not have a material effect on contract assets in the year ended December 31, 2020.

The Company pays incremental commission fees in connection with revenue from contracts with customers. The Company capitalizes commission fees as contract assets that are amortized based on the period of expected benefit to which the assets relate and are included in cost of revenue. Current and long-term portions of these costs were $321,000 and $410,000, respectively, at December 31, 2020. Amortization was $457,000 and $386,000 in 2020 and 2019, respectively. There was no impairment loss in relation to the costs capitalized.

The Company invoices business customers for large installation and infrastructure costs associated with providing new services at the beginning of the contract. These revenues are capitalized as contact liabilities and are amortized, on a straight-line basis, over the customer life under ASC 606. Current and long-term portions of these costs were $239,000 and $1,259,000 respectively, at December 31, 2020.

11. Leases

Leases Accounted for in Accordance with ASC 842

The Company's leases primarily consist of buildings for corporate and sales offices, and land for remote equipment facilities.

Lease terms may include options to extend or terminate the lease. Options to extend leases are included when, based on the individual lease and the Company's business objectives at lease inception, it is reasonably certain they will be exercised. Leases with a term of 12 months or less are not recorded on the consolidated balance sheets.

The practical expedient was elected to combine the lease and non-lease components for all asset classes. The following table summarizes the components of lease expense (in thousands):

Year ended December 31,		**2020**		2019
Operating lease cost	**$**	**1,036**	$	896
Short-term lease cost		**-**		42
Total Lease Cost	**$**	**1,036**	$	938

The weighted-average remaining lease term and the weighted-average discount rate for operating leases are as follows:

Year ended December 31,	**2020**	2019
Weighted-average remaining lease term - operating leases	**10.8 years**	9.9 years
Weighted-average discount rate - operating leases	**7.7%**	7.3%

The following table provides a summary of minimum payments for operating leases (in thousands):

Year ending December 31,		
2021	$	865
2022		474
2023		423
2024		363
2025		238
Thereafter		2,066
Total Obligation		4,429
Less: amount representing interest and discount		(1,616)
Present Value of Future Minimum Lease Payments		2,813
Less: current portion		(865)
Lease Obligations, net of current portion	$	1,948

ROU assets were approximately $2.8 million and $3.0 million as at December 31, 2020 and 2019, respectively, and are included in other assets.

12. Charitable Contribution Programs

During 2020, 2019 and 2018, the Company had a Shareholder Designated Charitable Contribution program. Under the program, each shareholder is eligible to designate a charity to which the Company would make a donation based upon the actual number of shares registered in the shareholder's name. Shares held in nominee or street name were not eligible to participate. The Board of Directors approved one contribution during 2020, one contribution in 2019 and two contributions in 2018 of $100 per registered share. During 2020, 2019 and

2018, respectively, the Company recorded a charge of $0.9 million, $1.0 million and $2.4 million before tax benefit. In addition, in 2020, 2019 and 2018, Company established an Employee Designated Charitable Contribution program in which the Company recorded charges of $0.2 million, $0.3 million and $0.1 million, respectively.

During 2020, 2019 and 2018, respectively, the impact of these programs was $45, $49 and $90 per diluted share, net of tax benefit related to the contributions, which was included in operating costs in the consolidated statements of income.

13. Commitments and Contingencies

Litigation

The Company is involved from time to time in various legal proceedings, regulatory investigations, and claims arising in the normal conduct of business, which may include proceedings that are specific to the Company and others generally applicable to business practices within the industries in which the Company operates. A substantial legal liability or a significant regulatory action against the Company could have an adverse effect on the business, financial condition, and on the results of operations in a particular year. LICT was not involved in any legal proceedings in 2020, 2019 or 2018 that had any significant effect on its financial results and is not involved in any ongoing material legal proceedings that expect to exceed our insurance coverage.

14. Stock-Based Compensation

The Company granted RSAs to two employees as of January 15, 2018, which fully vested in 2019. No additional grants were made as of December 31, 2020. At December 31, 2020 and 2019, there are no RSAs remaining.

	Shares	Weighted-Average Grant-Date Fair Value Per Share
Outstanding, December 31, 2017	15	$ 5,175
2018 grants	35	11,350
Vested in 2018	(15)	(5,175)
Outstanding, December 31, 2018	35	11,350
Vested in 2019	(35)	(11,350)
Outstanding, December 31, 2019	-	$ -

15. Sale of New Hampshire Operations (Discontinued Operations)

On December 31, 2019, the Company completed the sale of its New Hampshire operations to CIBL, a publicly traded company that was spun off by LICT in 2007. The New Hampshire operation consists of the Bretton Woods Telephone Company, an RLEC serving the Mt. Washington/Carroll, New Hampshire area, and World Surfer, Inc., a CLEC serving the same area.

New Hampshire operation's contributions to LICT's consolidated operating results and financial position have been separately reported from amounts previously reported in 2019 and 2018 as discontinued operations.

LICT received 1,000 shares of CIBL common stock. The Company recognized an after-tax loss on the sale of approximately $388,000 in 2019. The sale of New Hampshire operations enables the Company to focus on its core geographic area, the central and western parts of the United States. The Company will continue to provide management services to CIBL and New Hampshire operations for $125,000 per year. LICT now owns approximately 6% of CIBL's outstanding common stock.

The following is a summary of New Hampshire operation's directly attributable operating results, which are included in income from discontinued operations (in thousands):

Year ended December 31,		**2019**		2018
Revenues	**$**	**1,815**	$	1,810
Operating costs		**1,564**		1,334
Operating Profit	**$**	**251**	$	476
Total Other Income	**$**	**7**	$	16
Income from Discontinued Operations, before tax provision	**$**	**258**	$	492
Loss on Sale of Discontinued Operations		**(388)**		-
Tax Provision from Discontinued Operations		**(62)**		(130)
Income (Loss) from Discontinued Operations, net of taxes	**$**	**(192)**	$	362

16. Subsequent Events

Return of FCC Auction Deposit

In 2021, the Company received back $15.7 million 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 of $4.3 million.

Repayment on Revolving Line of Credit

During the first quarter of 2021, the Company paid down $30.0 million of the CoBank revolving credit facility (Note 4).

The Company has evaluated events subsequent to the consolidated balance sheet date and prior to issuance of the consolidated financial statements for the year ended December 31, 2020 through May 11, 2021, the issuance date of the consolidated financial statements.

LICT CORPORATION
DIRECTORS, OFFICERS, AND OTHER INFORMATION

Board of Directors

Mario J. Gabelli
Chairman & Chief Executive Officer
GAMCO Investors, Inc.

Robert E. Dolan, CPA
Former Executive Vice President and Chief Financial Officer
LICT Corporation

Philip J. Lombardo
Founder and Chief Executive Officer
Citadel Communications Company, L.P.

Gary L. Sugarman
Private Investor &
Principal-Richfield Associates FL, Inc.

Salvatore Muoio
Managing Member
S. Muoio Co. LLC

Dr. Avrum Gray
Chairman and Chief Executive Officer
G-Bar Limited Partnership

Marc J. Gabelli
Co-Chairman
GGCP, Inc.

Salvatore M. Salibello, CPA
Senior Partner
Bright Side Consulting

Officers

Mario J. Gabelli
Chairman of the Board &
Chief Executive Officer

Stephen J. Moore
Vice President-Finance

John M. Aoki
Controller

Evelyn C. Jerden
Senior Vice President- Regulatory Dynamics

Christina M. McEntee
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Carmine Ceraolo
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