

# LICT CORPORATION

2018  
ANNUAL REPORT

# LICT Corporation

## (Y)our Family

- **CentraCom**- Nathan Abrams, Tayler Allan, Jason Anderson, Lynn Anderson, Todd Anderson, Kevin Arthur, David Barlow, David Barton, Tim Beesley, Jennifer Benson, Tammy Bowers, Ken Carlson, Richard Carpenter, Faylyn Catmull, Virgil Chappell, Brandon Childs, Kirk Christensen, Monte Christensen, Pat Coates, Don Cohee, Carl Cornista, Bert Cox, Branch Cox, Casey Cox, Cory Cox, Dana Cox, Eddie Cox, Jeffrey Cox, Mike Cox, Ross Cox, Steven Cox, Aaron Davis, Laramy Draper, Gayle Earl, Parker Earl, Clint England, Reina Espinoza, Alisa Faatz, Samuel Fineanganofu, Eric Forbush, Jon Gale, Mary Gavril, Angela Hamilton, Megan Hansen, Julie Hansen, Kris Hansen, Bradly Hardly, Les Haskins, David Hatch, Jason Hathaway, Larry Hawkins, Logan Hawkins, Barrett Hilton, Jakob Howcroft, Kristie Ison, Duane Jensen, Jerry Johnson, Richard Johnson, Dan Kendall, Kolten Kendall, Brian Killingbeck, Mark Larsen, George Lee, Eloisa Lemus, Jason Lewellyn, Lynn Litnak, James Maendl, Arlene May, Eric McConahay, Janet McFarland, Jacob Meyers, Sterling Monk, McCall Moon, Zach Naumu, Asaeli Ngauamo, Ann Nielsen, Bawb Nielsen, Julie Nielsen, Todd O'Neal, Ben Olsen, Nathan Palmer, Paul Peckham, Ben Pehrson, Jeff Petersen, Scott Pingle, Mike Plows, Howard Pope, Pam Rigby, Daniel Roberts, Kenny Roberts, Troy Roberts, Alex Rugg, Paul Rymer, Tyrel Sackett, Tyler Schlappi, Calvin Shelley, Eddie Shelley, Freddy Soriano, Jose Soriano, Ryan Stewart, Sione Taufu, Manase Tesi, Shayne Thompson, Mike Traina, Trevyn Tucker, Brad Welch, Keller Wheeler, Erin Williams

- **Western New Mexico Telephone**- Rudy Arambula, Valerie Barboa, Wayne Baxter, David Beem, Liz Blancett, Matthew Brown, Rylan Carver, Juan Chavez, Becky Cooper, Dustin Coslin, Jeromy Curnutt, Landis Davidson, John Dunne, Matt Favre, Lisa Feigley, John Francis, Elizabeth Gardner, Kyle Goar, Jackie Gonzales, James Guck, Jonathan Hawkins, Evelyn Jerden, Brandy Jump, Marvin Kartchner, Helen Keen, Jack Keen, John Keen, Billie Knight, Aaron Laney, Tyler Leyba, Alex Lopez Tamra Ann Manning, Nancy May, Michael Montoya, Samuel Narvaez, Carrie Rice, Belinda Rogers, Stewart Rooks, David Rowell, Sandra Ruiz, Melissa Saenz, Lebert Saulsbury, Dana Scarborough, Bill Stroman, Jane Tibbs, Gary Trujillo, Marci Watson, Kory Webb, Crystal White, Kandra Young

- **JBN Telephone**- William Atwood, Russell Bacon, David Callison, Jan Charles, Glenn Chiles, Brian Coffman, Sheri Cothran, Aaron Cox, Marc Crites, Janet Curtis, Jeremy Dallas, Rita Davis, Taelor DeLany, Greg Dunn, Travis Feltner, Amanda George, Todd Huncovsky, Ben Jepson, Diane Kathrens, Lance Lyman, Susan McGhee, Jonathan Parker Travis Peek, David Schraer, Judy Sextro, Jacob Shere, Jay Stewart, Austin Taylor, Jamika Teel, Christopher York

- **Haviland Telephone**- Alex Brensing, Vesta Charbonneau, LaDonna Erker, Sabrina Freeman, Mildred Hannan, Nathan James, Lori Larsh, Sue Leppert, Kay Lewis, Steve Lewis, Robert Long, James Mevey, Ryan Oren, Sandra Raynes, Casey Smith, Dwight Smitherman, Jayci Smitherman, Brent Swngle, Diane Thompson, Jayne Thompson, Kevin Volavka, Audrey Wade, Mark Wade, Lyle Whitaker

- **Upper Peninsula- MCBC**- Todd Beauchamp, Katie Corey, Matthew Dale, Stacey Dani, Joe Dey III, Joey Dombrowski, Blaine Gadda, Bart Hall, Kyle Hovland, Sarah Hunt, Vicki Kakuk, Gordon Leese, Aaron Matelski, Amanda Meade, Bruce Moore, Deborah Moreau, Timothy Nakkula, Valerie Parrish, Andrew Perttunen, Suanne Piche, Linda Rhode, Karen Rochon, Becky Schetter, Cathy Starzynski, James Temple, Donna Thoune, Edward Thoune, Lori Van, Ronald Wells, Christine Wolfe, Lori Wolsker

- **Cal-Ore Telephone**- James Anderson, Michael Atkinson, Charles Boening, Danielle Burrow, Bryan Coutier-Coates, Kevin Donahue, Jeremy Estep, Marc Estep, Tamara Harper, Robert Hensley, Paul Hensley, Melinda Hill, Joleen Hogan, Elizabeth Jimenez, Trey Liblin, Danny Morrison, Keith Nielson, Kristi Olson, Edward Ormsbee, George Ormsbee, Shannon Pannell, Ana Marie Perez, Marcus Silva, Jennifer Skoog, Ryan Stevenson, Joan Tennison, Sara Thomas, Ryan Tonelli, Andrew Ulbricht, Shania Wimberly, Scott Wimp, Waihun Yee

- **CS Technology** – Greg Adams, Julie Anderson, Nick Averkamp, Richard Billups, Tyler Bindrum, Kari Coates, Jerry Cullen, Tony Dahms, Kent Dau, James Davis, Bruce Duling, Deb Egli, John Ewert, Chris Garrison, Joseph Geerts, Amber Hendricks, John Holland, Dylan Huizenga, Joyce Kemp, Merri Leigh, Mike Lewis, Brent Lindle, Jesse Longhenry, Kent Mattoon, James Neyen, Amanda Schick, Deb Schuppener, Robert Villarreal Jr., Dayna Wilberding, Donn Wilmott

- **Bretton Woods Telephone Company** – Art Nicholson, Joshua Robertson, Francis Rouillard, Karen Wante

## **Financial Highlights**

*In thousands, except for share amounts:*

<b>Calendar Year</b>	2018	2017	2016
Revenues	\$115,833	\$106,730	\$90,740
EBITDA	57,957	49,196	36,740
Capital Expenditures	23,040	22,351	16,409
Net Income	25,781	22,389	7,273
Diluted Earnings Per Share	1,271.97	1,063.80	338.32
Shares outstanding at year end	19,931	20,509	21,282

## **Giving Back**

<b>Calendar Year</b>	2018	2017	2016
Total Contributions	\$1,277	\$1,264	\$1,064
Total Charities	247	228	219



## **Letter from the Chairman and Chief Executive Officer**

Dear Partners/Owners,

We are celebrating our 32<sup>nd</sup> year of stewardship of LICT

To repeat what was said in last year's letter, Lynch was formed in 1917, current management assumed control after the control shares were purchased from Curtis Wright in 1986.

(Y)our Shares of (y)our Company closed at \$14,450 at December 31, 2018, up from \$11,650 at the end of 2017.

Our accomplishments over the past 32 years include 7 spin offs and 33 acquisitions. Most recently, in October 2018, ICTC which we spun out in 2010, was acquired for \$65. per share. We spun out 13 ICTC shares to each LICT share owner. LICT Shareholder value has compounded by 17%; expressed more simply, a \$1 million investment in 1986 has an all in value of \$38 million today.

This performance reflects the great work of our team and how they care for and nurture the needs of the communities they serve.

### **The Future-**

Nothing has changed. We continue to help the communities we serve and to grow (y)our company both organically and inorganically.

Simply stated, we would consider a significant opportunity within broadband and telecommunications (our historical core competency).

Indeed – if we to pursue a significant acquisition, we would be willing to deploy to have financial leverage to purchase it if necessary.

Another alternative to accelerate our growth, is to purchase an operating company outside of our current core.

### **Giving Back-**

LICT, in 2016, borrowed a page from publicly traded GAMCO, which in turned borrowed from Warren Buffett's Berkshire Hathaway. LICT has contributed \$1 million to charitable entities by way of contributions designated by registered shareholders and teammates. We repeated this program in 2017 and 2018 and our directors have already repeated it again for 2019 – but we have a shareholder proposal that, if voted on, would continue our “giving back” program.

### **The Numbers-**

We continue to use our cash flow to increase the underlying intrinsic of enterprise value of LICT as well as maintain financial flexibility.

Our share buyback has been more aggressive in recent years. In 2018, we reduced our share count by 613 or 3.0%. We continue to buy back shares-call us if you need liquidity, but be prepared to state the price you are looking for.

Our projection for 2019 is \$121 million in revenues and EBITDA approaching \$60 million.

### **CEO Search-**

As we have announced, I am seeking to change my role as CEO of LICT but continue to serve as Executive Chairman. We are undertaking a search for an Executive that has skill sets in the broadband and cable area. Also, Bob Dolan who has served LICT for nearly 30 years, as CFO, and even as Interim CEO, has announced he is retiring., and a search is on for his successor.

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

Mario J. Gabelli  
Chairman and Chief Executive Officer

## Report of the Executive Vice President and Chief Financial Officer

During 2018, we continued our established model of:

- being the premier provider of broadband services to rural America as supported by the FCC's Alternative Connect America Cost Model, (A-CAM),
- making charitable donations in the names our shareholders and team members.
- expanding the breadth of services to our non-regulated markets,
- reducing net debt, and
- reacquiring our common shares.

We will continue this model through 2019.

Please find some financials metrics on your company below. Over next couple of pages, Jim, Evelyn, and our team members will share with you, how we are developing and growing LICT.

### Operating Results

- Revenues were \$115.8 million in 2018 an increase of 8.5% from 2017 due to additional A-CAM revenues and a \$3.8 million increase in non-regulated revenues. Of note, revenues in 2018 included \$2.9 million of A-CAM support that related to 2017. We are expecting revenues of \$121 million in 2019.
- EBITDA from Operations was \$58.0 million in 2018, an increase of 17.8% from 2017 also due to A-CAM and non-revenues. We are expecting EBITDA from operations to be \$59 million in 2019.

	Year Ended December 31,		Increase	
	2018	2017	(Decrease)	Percent
	(In Thousands)			
<u>Revenues</u>				
Regulated	\$65,671	\$60,354	\$5,317	8.9%
Non-regulated	50,162	46,376	3,786	8.2%
Revenues	<u>\$115,833</u>	<u>\$106,730</u>	<u>\$9,103</u>	<u>8.5%</u>
<u>EBITDA</u>				
Regulated operations	\$35,225	\$29,322	\$5,903	20.1%
Non-regulated operations	20,532	17,886	2,646	14.8%
Cash distributions from equity affiliates	2,200	1,988	212	10.7%
EBITDA from operations	<u>57,957</u>	<u>49,196</u>	<u>8,761</u>	<u>17.8%</u>
Corporate expense	(4,006)	(3,992)	(14)	(0.4%)
Charitable donations	(2,477)	(1,139)	(1,338)	(117.5%)
EBITDA	<u>\$51,474</u>	<u>\$44,065</u>	<u>\$7,504</u>	<u>16.8%</u>

**Capital Expenditures** - During 2018, we invested \$23. million in capital expenditures and we are currently expecting a similar amount in 2019.

**Net Debt** - At year end, our net debt (total debt less cash, cash equivalents, and liquid deposits) was \$3.2 million. This represents a decrease of \$9.7 million from the \$12.9 million in net debt at the end of 2017. During 2018, our cash interest expense fell from \$2.0 million to \$1.6 million, a 17% reduction. We expect cash interest expense to fall further, to approximately \$1.3 million, in 2019.

**Share Repurchases** - During 2018, the company repurchased 613 shares, or 3.0% of our outstanding shares, at an average price of \$13,578 per share for a total of \$8.3 million.

**Conclusion** – With the combination of stable A-CAM revenues and growth in non-regulated customers, we are currently expecting that we should be in a net cash position (cash, cash equivalents, and liquid deposits less debt) of over \$10 million by the end on 2019. As such, we are well positioned to execute a significant refinancing to fund a transforming internal growth initiative and make a sizable acquisition.

***Robert E. Dolan***

Executive Vice President and  
Chief Financial Officer

## **Operations Report**

As a shareholder in LICT, you are a co-owner of a series of broadband providers who are committed to improving the lives of the people in the communities they serve. The FCC's ACAM Program is helping us to expedite the reduction of the digital divide in rural America. We are proud of our accomplishments in 2018 as our subsidiaries were able to increase broadband speeds for our customers while adding new markets, products and services which helped to drive our overall growth. The combined performance of our operating subsidiaries resulted in increases of 8.5% in revenue, or \$9.2 Million to \$115.8 Million, and 17.8% in EBITDA, or \$8.9 Million to \$58.0 Million from 2017. ACAM increases were responsible for 63.0% or \$5.8 M of the revenue increase. In addition, each LICT subsidiary has increased their broadband networks and capabilities outside our incumbent areas and put us in a strong position as we enter 2019 in terms of stability and diversification.

### **Leveraging Our Tenure and Reputation**

With an average corporate lifespan of over 75 years per affiliate, we have leveraged our local and regional reputations to add customers in our traditional legacy and targeted expansion markets. In 2018, we added network, additional customer service and sales people along with new products and services generating new revenue streams enhancing the value of our core broadband offerings.

### **Management Team – Approach**

LICT has an experienced management team that averages over 20 years in the telecommunications industry. Our General Managers have close ties to the communities they serve. Our average employee tenure is over 14 years of service and management strives to create a positive atmosphere and an environment of "customer first" resulting in both customer and employee loyalty.

### **Looking Ahead**

LICT will continue to make, significant investments in our broadband infrastructure to bring Internet access to residents and businesses in rural America that add value to the lives of people in the communities we serve and enable thousands of families, businesses and government organizations to stay connected. We will continue to expand our service offerings both inside and outside of our traditional boundaries and deliver the highest quality service that our customers demand and deserve. I am excited about the opportunities ahead of us in 2019 and beyond.

*James DaBramo*  
Chief Operating Officer

## **Regulatory Dynamics**

2018 was an excellent year for LICT's regulated operations. In 2018, the Federal Communications Commission ("FCC") approved sizeable increases, retroactive to January 2017, to the Alternative-Connect America Cost Model ("A-CAM") support authorized for LICT's subsidiaries located in four of the six states where LICT adopted A-CAM. LICT's initial A-CAM support in these four states was capped due to the FCC's rules. The other two states were ineligible for any A-CAM increase because they were already fully funded in 2017, when A-CAM was first effective.

In December 2018, the FCC announced a further incremental increase in A-CAM funding, which LICT accepted in March 2019, that provides full A-CAM funding in those four states and extends support for LICT's A-CAM companies in all six states for two additional years through 2028.

Since A-CAM replaced two federal Universal Service Fund ("USF") programs that were becoming increasingly volatile due to the regulatory caps and limitations implemented by the FCC, A-CAM has provided LICT considerable stability for our federal USF revenues, which are a significant portion of LICT's regulated revenues.

A-CAM funding levels are associated with requirements to build broadband at defined data speeds to a set number of eligible locations. Broadband is one the keys to this nation's success and this is especially true for the most rural portions of our country. LICT is proud to be delivering high-speed data services to enhance the lives of our customers, whether it be for tele-medicine, on-line learning or shopping, entertainment, communication, or operating businesses, because we know that broadband is an essential component for everyday living. We understand how broadband connectivity transforms lives.

While building high-capacity broadband networks is challenging in sparsely-populated areas, LICT is embracing the mission. LICT has focused on expanding broadband service to our customers for over a decade and the A-CAM support, working in conjunction with state USF programs, will allow LICT to intensify our broadband build-out efforts.

We are proud to be bringing high-speed data service to customers located in extremely high-cost, difficult-to-serve, rural portions of our nation that could never afford service, absent federal and state USF support. These revenue mechanisms allow LICT to be able to continue our substantial efforts to provide greater data speeds to our customers. We are confident we can meet the increased A-CAM build-out requirements that come with the additional FCC support and that we are well-prepared to serve our customers' needs.

*Evelyn C. Jerden*  
Senior Vice President  
Regulatory Dynamics



# Review of Operations

## Utah

CentraCom had an excellent year again in 2018 due mainly to increased sales to businesses, wireless carriers, institutions, and residential subscribers. CentraCom continued to expand our fiber network throughout Utah, adding fiber facilities along the Wasatch Front and in the rural areas of Utah. In 2018, we finalized a core network upgrade. This project greatly increased the reliability and stability of the network, we also added additional capacity that was needed to sustain growth. The Company also continues to aggressively expand our broadband business operations in Provo and Orem, Utah. With a new focus on additional network interconnection opportunities and the implementation of multiple Master Agent Agreements, CentraCom was able to accomplish aggressive enterprise customer sales goals. The company now has over 1,355 route miles of backbone fiber facilities and has one of the largest fiber footprints in the State of Utah. These facilities deliver high capacity Ethernet services to schools, government users, hospitals, cell towers, and enterprise customers.



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

CentraCom also saw continued success in cable modem Internet customers. In 2018 there was an addition of 1,088 net cable modem customers representing a 10% growth. At the end of 2018, the company had 14,053 residential broadband customers.

During 2018 CentraCom launched a fixed wireless broadband Internet product to (1) protect existing service areas, and (2) open up additional competitive service areas. The Company was able to add more than 700 subscribers using this newly deployed technology.

CentraCom is also taking fiber to the customer's premise in multiple subdivisions where existing fiber proximity and conduit availability make deployment easier compared to other subdivisions where multiple competitive providers already exist.

CentraCom is looking forward to continued growth in our operations in 2019.

*Branch Cox  
Eddie Cox*

## New Mexico



Matthew Favre  
General Manager  
Team member since 2017

Western New Mexico Telephone Company serves over 15,000 square miles of Southern New Mexico. The square miles footprint served is approximately the square miles of Massachusetts and New Jersey combine. The miles of plant total over 4,100 miles of which this includes over 750 miles of fiber optic cable. In 2018 approximately 50 miles of fiber optics and electronics were installed to expand the operations.

Western New Mexico operations continues to grow its broadband facilities through the use of fiber optics facilities and the implementation of fixed wireless for last mile and multipoint platforms to enhance our service footprint. Along with the annual growth in carrier backhaul and expansion of non-regulated service the operation continues to extend its presence in the marketplace

Regulated Revenues grew by 2.6% mostly due to A-CAM which has allowed our regulated market to support increase broadband speeds, business connectivity and carrier transport. Regulated EBITDA grew by 8% through enhanced operational efficiencies and improved margins. Margins moving to 2.8% YOY for a total of 66.6% margin. Non-Regulated Revenue grew by approximately 10% with Non-Regulated EBITDA margin 40% for 2018. Non-Regulated EBITDA was flat because of continued aggressive expansion. The opportunity to expand into new areas such as Deming, Las Cruces, Santa Clara, Bayard and Hurley NM with increased fiber and wireless point to multipoint facilities will continue to increase revenue opportunities for 2020 while generating better EBITDA performance with the new delivery platforms now available.

We consistently analyze other solutions for our business and residential customers. IPTV was launched for residential to attempt to minimize churn and create a profile for whole house spend. Redundancy services, last-mile solutions, SD-WAN, Wireless/WIFI Management and other ancillary business services has been added to our business services platform. The Company continues to drive on our targeted verticals such as healthcare, banking, educational and municipal opportunities.

Our continued work with the New Mexico Public Regulatory Commission to bring consistency and stabilization, which is critical to supporting our efforts to bring enhanced broadband services to remote areas of New Mexico.

Locally, Western New Mexico Communications is recognized and admired for our continual efforts towards assisting the communities we serve. Donations and employee support to local medical facilities, charitable organizations, school clubs and sports. Annually we have supported over 50 local organizations in one fashion or another.

The continued leveraging of Western New Mexico Communications localism, expansion of services, delivery platforms and focus on efficient operational performance will allow us to add to the value of the organization and the communities we serve. We are excited about the opportunities ahead in 2019.

*Matt Favre*

## California-Oregon

Cal-Ore Telephone Company and affiliates (COT), provides 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 voice and broadband services in southern Klamath County, Oregon and along the I-5 corridor in north Siskiyou County, California. These services utilize facility-based fiber to the premise, Wi-Fi, DSL, and point-to-point radio. Cal-Ore has a highly skilled workforce with decades of specific experience in building communications facility in this high cost rural area.

Regarding the broadband service in the non-regulated California territory, within these communities there still exists many areas that are “Un-Served, Underserved or Poorly served”. Cal-Ore began its entry into this competitive California market in 2001 with an invitation from residents of the Lake Shastina community and began providing proprietary wireless service from a mountain-top microwave tower. At that time the ILEC and Internet service was only available by dial-up modems. By year-end 2018 COM was providing full-service communication and broadband services to Lake Shastina as well as neighboring communities. Using bonded loops COM can reach speeds up to 100 Mbps downstream and 20 Mbps upstream over the VDSL network.

In 2019 COM will continue to expand within our California markets including Yreka, Mt. Shasta, Weed and Dunsmuir. In Klamath Falls, Oregon COM will selectively add additional Fiber-to-the-Premise (FTTP) routes. Within the regulated territory, COT will continue to replace old copper loops with FTTP, which provides much higher broadband capacity and achieves the latest A-CAM compliance requirements. A substantial Cal-Ore revenue source comes from nontraditional services such as data backhaul, tower rent and fiber leases which were \$1.95 million in 2018. Data backhaul accounted for \$1.5 million of the total.

The California Legislature recognizes the critical role of current technology communication services between rural areas and the remainder of the state. To support communication in rural California they created a state Universal Service Fund program entitled the California High Cost Fund – A (CHCF-A). It sunsets every four years, and through a strong educational presence at the legislature by the rural ILECS, has always received strong bi-partisan support. Cal-Ore received just over \$1 million from this fund in 2017, \$1.3 million in 2018, and will receive \$1.36 million in 2019.

Building personal and business relationships within our communities are critical and employees live with the people they serve. Cal-Ore is actively engaged in community service and various fund-raising projects, including the March of Dimes, the Cancer Society “Relay for Life”, youth projects, and the Tulelake and Butte Valley Fair. Cal-Ore encourages employees to participate in community events and to support local service organizations such as the Dorris Lions Club, Tulelake Rotary Club and Klamath Falls Chamber of Commerce. Our employees have served in political organizations, such as the Dorris City Council and Tulelake City Council, and in leadership roles on these councils. Our employees volunteer to work on the different fire and ambulance departments.



Edward Ormsbee  
General Manager  
Teammate since 1985

*Edward Ormsbee*

## Michigan



Bruce Moore  
General Manager  
Team member since 2016

In 2018, Michigan Broadband Services (MBS) made significant progress building out of territory fiber networks and creating a sales culture to drive future revenues and cash flow results. Additionally, the company executed year two of our A-CAM build strategy offering 25Mbps and 10Mbps services to previously underserved homes and businesses in the Upper Peninsula of Michigan.

Two new fiber optic networks were expanded in both the Traverse City and Escanaba Michigan markets offering 1GB fiber broadband service. In Traverse City, MBS expanded our fiber overbuild to include downtown Traverse City. With this new build, we were able to build fiber directly in TC Lofts a premier new commercial development. This continues our focus on premier real estate locations, that include both commercial and residential tenants, providing MBS with on network new sales opportunities maximizing our capital investment. In addition to early business and residential customer adoption, each property has tremendous upside in future development including offering our new competitive streaming video service Stream TV. This video service launched in 2018 allows us to offer a triple play to our customers. MBS also continues to win NNI and IP based telephone business throughout Northern Michigan creating new revenue streams.

MBS launched our city-wide fiber optic overbuild of the City of Escanaba. Located twenty-two miles from our Upper Peninsula Carney operation in Carney, Escanaba is the third largest city in the UP. The total fiber new fiber network included an addition six miles of aerial and underground fiber construction in 2018. To date, we are winning over 30% of the business passed. Our progress was recognized as the Delta County Chamber of Commerce named Michigan Broadband Services Partner of the Year for our investment in the community and offering competitive fiber based services.

In strategic regulated telephone exchanges, MBS invested in new technology to offer new 25Mbps broadband services to hundreds of previously underserved customers as a part of our ten-year A-CAM project. These deployments have allowed MBS to keep up with the ever-increasing demand required by our valuable customers.

In 2018, we solidified our sales culture, and the results were significant. While adding new residential and commercial broadband customers, the company's customer service center focused on pro-actively upgrading existing customers to higher speed / higher revenue broadband services. Our 2018 results include upgrading 12% of our residential customers to broadband speeds to better serve their usage requirements.

The entire Michigan Broadband team is proud of the significant progress gained in 2018 and is looking forward to measurable growth in 2019.

*Bruce Moore*



## Iowa and Wisconsin

Today's **CS Technologies** looks significantly different than our Iowa and Wisconsin operations looked just a few short years ago. As a result of our multi-year focus on non-Regulated revenues we've expanded CS Technologies total Revenue and EBITDA results. Regulated revenues have declined; to offset we have grown non-Regulated revenues and EBITDA, so that our combined Iowa and Wisconsin EBITDA has grown

2018 brought the second full year impact of A-CAM and BLS; for us a reduction in Regulated revenues in exchange for a higher level of regulated revenue clarity. 2018 also produced the third full year impact of a small rural telco acquisition. Local and contiguous, the Dixon Telephone Company's operations were successfully consolidated under Central Scott Telephone. 2018 results, like the prior two years, provided an EBITDA contribution margin in excess of 40%.

Resulting 2018 Iowa and Wisconsin revenues totaled \$12.1 million producing EBITDA that exceeded \$4.6 million; providing another year of margin improvement. As we enter 2019 the Iowa and Wisconsin CS Technologies organization represents a larger piece of the LICIT revenue pie than in our past. 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.

Any path forward will see continuing declines in regulated revenues with increased competition. To grow we must continue to invest in our facilities and continue to provide personalized high-quality service to our customers. The majority of our customers value the quality of service we provide. Adopting competitor models of low cost with low service would cause us to lose the most important differentiation we offer. We provide the "best" service at a price where our customers still see value.



Donn Wilmott  
General Manager  
Team member since 2010



Deb Egli  
General Manager  
Team member since 1995

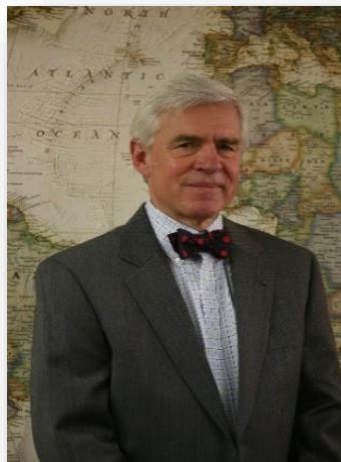
Our commitment to FTTH in Cuba City, Wisconsin has created a victory. A 2019 Cuba City with FTTH and Belmont with higher Internet speeds connected to a diverse Internet backbone give our Wisconsin customers a valuable alternative to the competition for their Internet service. The "Perception" battle is being won in this market because of our commitment to FTTH. Year-end 2018 ARPU growth exceeded \$2 following the completion of this 884-home project in June of 2017.

We have much to gain by committing to FTTH everywhere in time. Our Iowa ILEC Broadband penetration now exceeds 70% of homes passed in the markets we serve. How do we protect what we have built while doubling or tripling our current speed? One way a complete FTTH commitment...

Our CS Technologies CLEC operations in 2019 and beyond will continue to leverage the capital investments made in the Quad Cities and Dubuque, Iowa markets. Over 30% percent of our 2018 revenues came from our CLEC operation, a growing aspect of our overall success. Recent fiber investments in Dubuque, IA and a commitment to re-inforce our Quad Cities network with additional fiber will allow these markets to protect and grow their customer revenues leading to higher facility-based margins for years to come.

*Donn Wilmott*  
*Deb Egli*

## Kansas



Mark Wade  
General Manager  
Team member since 1990

The Kansas LICT companies include the 2 ILEC's, J.B.N. and Haviland Telephone, which provide traditional broadband, voice, and ancillary services, in 27 small towns. Giant Communications, Inc., our Kansas non-regulated services company, provides traditional CLEC, CATV, and broadband services in Holton and 9 other towns in northeast Kansas. Primarily residential in these areas, Giant serves 1,100 CATV customers, and approximately 1,700 cable modem broadband subscribers. Giant also provides fixed wireless broadband to some 500 subscribers in these areas. Giant is also the retail broadband provider to J.B.N.'s 1,150 Digital Subscriber Line ("DSL") subscribers, and Haviland's 2,100 DSL subscribers.

In 2018, Giant began selling broadband and voice on equipment located in the major Topeka switching center, to reduce the cost of wholesale access. The company also placed several miles of fiber-optic cable along a major business route. During 2019, Giant will expand this fiber network in Topeka with additional placement, and by leveraging fiber assets owned by others, including those of Kansas Fiber Network, of which Giant holds about 4% ownership. By the end of 2019, we anticipate access to 17 miles of fiber in Topeka alone. Giant continues to aggressively place fiber for customers in and near to its Jefferson and Jackson County areas. Recently, these builds included service to a Native American tribal area, rural schools and hospitals, and to select residential areas where our wireless product is not well suited.

Giant has developed a substantial cloud-based CLEC voice service offering in Wichita and Topeka, KS, leveraging an existing soft switch, billing platform and IP connectivity. About half these business subscribers, about 1,700 seats, are currently operated off our network via wholesale facility leases, generally bundled with broadband. Because this service approach is well-suited to multiple-location businesses in locations off our network, an additional 500 seats are served outside Wichita or Topeka.

J.B.N., the ILEC in north Kansas, continues its quest to shorten rural copper loops with builds near 5 rural towns. (Copper loop length is inversely related to broadband speeds.) In addition, several areas' DSL equipment was upgraded, to provide faster broadband service. Currently, approximately half of J.B.N.'s subscriber locations can receive broadband speeds of at least 50 megabits per second ("M") or greater. Haviland, the ILEC in southern Kansas, also completed deployment of faster DSL service to subscribers in all 12 of its ILEC areas, touching about 60% of locations with similar speeds, while maximizing existing copper assets. Haviland and Giant both augmented wireless broadband systems in 2018 to provide speeds similar to DSL and relieve system congestion. Additional wireless investment will occur in 2019. A key metric in our broadband services is speeds at which customers subscribe. Since 2017, subscribership at or below 3 M per second has improved from 27% to 21%, while speeds at or above 50 M has improved from 5% to 9%. Business subscribership at speeds up to 1,000 M (or 1 Gigabit per second) has also improved, albeit more slowly.

The Kansas operations developed primarily in and near 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*

## New Hampshire



Art Nicholson  
President  
Team member since 1991

Bretton Woods Telephone Company (BWTC) and World Surfer (WSI) made significant network improvements in 2018, converting our exiting fiber-to-the-premise Gigabit Passive Optical Networks (GPON) network to Active Ethernet (AE) demonstrating the company's ongoing commitment to the community and quality service. With the completion of our network upgrade, we are positioned to deliver 1 Gigabit broadband internet to 100% of our subscribers over our thirty-five-mile optical network. Our 1 Gigabit service has been well received by customers who have been migrating from the GPON network since mid-summer 2018. Our Active Ethernet network delivers any IP service – Internet access, multicast video, VoIP along with Ethernet Virtual Private Networks (VPN) services and emulated TDM services (e.g. T1/E1) all delivered over a single fiber from our serving wire center.

Our team continues to expand the reach of our network, serving subscribers outside the traditional ILEC territory through the use of company owned facilities where available and wholesale leased facilities, offering customers broadband speed up to 400 Mbps. Coupled with our cloud-based services and personalized customer care we continue to expand our business to customers, small and large throughout the State of New Hampshire.

Looking forward in 2019 construction projects include fiber to the summit of Mt. Washington (highest peak in the Northeastern United States at 6,288. ft.) which will bring high-speed connectivity to several summit buildings, governmental facilities, safety organizations and tourists. In addition, construction projects in Conway, NH are expected to begin during the summer season. We continue to review the viability of expanding into additional communities surrounding the ILEC service area with a combination of wireless, wholesale and new fiber builds.

BWTC and WSI made generous donations to 501(c) 3 charitable organizations located in the communities that we serve. The organizations are selected through an employee voting process and we are proud to make these contributions on behalf of our employees. Among the organizations we contributed to include: Child Care Health and Daycare Programs, HIV/AIDS Prevention Programs, Protection and Conservation of Natural Resources and Community Base Youth and Family Organizations.

*Art Nicholson*

**The following charities were beneficiaries of LICT's 2018 Shareholder and Teammate Charitable Contribution Program**

**“THE MORE YOU GIVE,  
THE MORE YOU RECEIVE”**

ACTS Legacy Foundation ▲ All Yonkers Youth Athletics  
▲ American Association for the Study of Liver Disease ▲  
American Cancer Society ▲ American Diabetes  
Association ▲ American Juvenile Diabetes of Utah ▲  
American Legion Post 438 ▲ American Red Cross ▲  
American Society for Suicide Prevention ▲ Angels Wish ▲ Anything for a Friend ▲ Apache Creek  
Deaf Youth Ranch ▲ Baltimore Clayworks ▲ Barclay College ▲ Bear Lake Watch ▲ Benevolent  
and Protective Order of Elks ▲ Best Friends Animal Society ▲ Big Brothers Big Sisters of  
Mississippi Valley ▲ Blythedale Children's Hospital ▲ Boy Scouts of America, Carter Lake  
Council ▲ Boys' Hope Girls' Hope ▲ Boys Scouts of America-Utah National Parks Council ▲  
Build Inc ▲ Butte Valley Montessori Children's House ▲ Calamus Wheatland Elementary ▲ Camp  
good days and Special Times ▲ Carroll County YMCA ▲ Center for Auto Safety ▲ Central Utah  
Food Sharing ▲ Charity Water ▲ Chi-Arts ▲ Childrens' Hospital of Wisconsin ▲ Childrens'  
Miracle Network ▲ Childrens' Museum of Klamath Falls ▲ Chive Charities ▲ Cliff FFA Alumni  
▲ Cliff Gila Grant County Fair Association ▲ Clint Benjamin Memorial Team Roping ▲ Coalition  
to Rebuild Community Television ▲ Colorectal Cancer Alliance ▲ Common Ground Outdoor  
Adventures ▲ Community Nursing Services ▲ Cornelia De Lange Foundation ▲ Cowboys for  
Cancer ▲ Crohns and Colitis Foundation ▲ Crispus Attucks Association of York ▲ Cuba City  
Presidential Museum ▲ Cuba City United Methodist Church ▲ Cystic Fibrosis Foundation-Utah  
▲ Democracy Works ▲ Discover Klamath Visitors' Center ▲ Dubuque Humane Society ▲ Easter  
Seals ▲ El Grillo ▲ El Refugio ▲ Empower Playgrounds, Inc. ▲ Eva's Village ▲ Family Christian  
Inspiration, Inc ▲ Feed the Children ▲ For the Kids.Org ▲ Friends of Chester County Library ▲  
Friends of the Public Library of Silver City ▲ GCS Project ▲ George School Fund ▲ Gila Baptist  
Church ▲ Girl Scouts of Eastern Iowa and Western Illinois ▲ Global Campaign for Peace  
Education ▲ Good Sports ▲ Great Valley Presbyterian Church ▲ Green Beret Foundation ▲  
Green Mountain Conservation Group ▲ Hand in Hand Outdoor ▲ Helping Hands Humane Society  
▲ High Desert Humane Society ▲ Hillsdale College ▲ Holton School District ▲ Holy Family  
Catholic School ▲ Hope for Fertility Foundation ▲ Hospice of Dubuque ▲ Human Coalition ▲  
Humane Society of Utah ▲ International Foundation for Art Research ▲ Jackson County Fair  
Association ▲ John G. Shed Institute for the Arts ▲ Jornada Elementary PTO ▲ Kids' Turn ▲  
Kiowa County Veterans Memorial Foundation ▲ Klamath Animal Shelter ▲ Klamath Crisis Center  
Lake Lundgren Bible Camp ▲ Living Lands and Waters ▲ Los Angeles Regional Food Bank ▲  
Loyola Jesuit Center ▲ Magdalena Old Timers Reunion Association ▲ MAP International ▲ Maria  
Fareri Childrens' Hospital ▲ Meals on Wheels ▲ Menominee Animal Shelter ▲ Meridian  
International Center ▲ Michigan United Conservations Club ▲ Mills Peninsula Hospital  
Foundation ▲ Mulenberg College ▲ National Center for Youth Law ▲ New Horizon Christian  
Fellowship ▲ New Horizons Crisis Center ▲ New Mexico Veterans' Integration Center ▲ New  
Mexico Wilderness Alliance ▲ New York University ▲ North Scott Food Pantry ▲ PCC  
Foundation ▲ Pets and Pals ▲ Planned Parenthood Federation of America ▲ Primary Childrens'



Hospital ▲ Pro Publica ▲ Project Defending Life ▲ Ringling College of Art and Design ▲ Ronald McDonald House Charities ▲ Rope 4 Hope ▲ Rotary Club of North Scott ▲ Rush University Medical Center ▲ Saint Augustine Parish ▲ Sanpete County Food Bank ▲ Serenity Acres ▲ Shining Hope for Communities ▲ Shining Schools ▲ Shriners' Hospital for Children ▲ Silver City Gospel Mission ▲ Silver Regional Sexual Assault Services ▲ Smile Train ▲ Southwest Center for Health Innovation ▲ Special Olympics of Iowa ▲ Spectrum Academy ▲ St Jude Children's Research Hospital ▲ St. John the Evangelist ▲ St. Peter of Alcantara ▲ St. Rose Congregation ▲ Stead Family Children's Hospital ▲ Tango for All ▲ Temple Judea ▲ Teton Valley Foundation ▲ The American Theater Wing ▲ The Browning School ▲ The Center for Women in Crisis ▲ The Floating Hospital ▲ The Gabelli Foundation ▲ The Gary Sinise Foundation ▲ The Jewish Communal Fund ▲ The Road Home ▲ The San Diego Opera ▲ The Sherwin Miller Museum of Jewish Art ▲ The Straighter Way Foundation ▲ The Triad School ▲ Theodore Roosevelt Conservation Partner ▲ Thrive Jackson County, Kansas ▲ Training to Lead ▲ Tresco ▲ Topaz Museum ▲ Trinity Church ▲ Boys' and Girls' Club of Las Cruces ▲ Twin Mountain Chamber of Commerce ▲ UCSF Foundation ▲ United Way ▲ Utah Domestic Violence Coalition ▲ Utah Food Bank ▲ Watchtower Bible and Tract Society ▲ Wellness Coalition ▲ Whittier College ▲ Wilson College ▲ World Vision ▲ Wounded Warrior Project ▲ Young Life Tucson

### **Footnotes to Financial Highlights:**

- (a) EBITDA is defined as operating profit before interest, income taxes, depreciation and amortization and is modified to include the cash we receive from the equity in earnings of affiliated companies. This metric is an element that we use in valuing potential acquisitions. Neither EBITDA nor EBITDA before corporate expenses are substitutes for operating profit of \$29.5 million, \$24.2 million and \$11.9 million, for 2018, 2017, and 2016, respectively. Corporate expenses for the same respective years were \$4.0 million, \$4.0 million and \$3.8 million.
- (b) In 2018, 2017 and 2016, Net Income and Net Income per Share was reduced by a shareholders/teammate charitable contribution program of \$1.8 million in 2018 and \$0.7 million in 2017 and 2016, or \$90. per share in 2018, \$35 per share in 2017 and \$31 per share in 2016, after tax effects.
- (c) Includes to the extent applicable, cash deposited with the FCC for the purpose of participating in spectrum auctions. Such deposits were returned in the subsequent year.
- (d) 2017 Per Share data excludes the benefit of deferred taxes due to the reduction of the federal tax rates that went into effect in late December 2017.
- (e) Total contributions are reported on a cash basis.

**LICT CORPORATION**  
**DIRECTORS, OFFICERS, AND OTHER INFORMATION**

**Board of Directors**

---

**Mario J. Gabelli**

Chairman & Chief Executive Officer  
GAMCO Investors, Inc.

**Robert E. Dolan**

Executive Vice President & Chief Financial Officer  
LICT Corporation

**Philip J. Lombardo**

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

**Gary L. Sugarman**

Private Investor &  
Managing Member-Richfield Capital Partners

**Salvatore Muoio**

Managing Member of S. Muoio Co. LLC

**Dr. Avrum Gray**

Chairman and Chief Executive Officer  
G-Bar Limited Partnership

**Marc J. Gabelli**

Co-Chairman  
GGCP, Inc.

**Officers**

---

**Mario J. Gabelli**

Chairman of the Board &  
Chief Executive Officer

**James DaBramo**

Chief Operating Officer

**Evelyn C. Jerden**

Senior Vice President-Regulatory Dynamics

**John M. Aoki**

Controller

**Robert E. Dolan**

Executive Vice President ,  
Chief Financial Officer & Secretary

**Stephen J. Moore**

Vice President-Finance

**Carmine Ceraolo**

Assistant Controller

**Christina McEntee**

Administrative Officer

---

**Transfer Agent and Registrar For Common Stock**

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038

**Investor Relations Contact**

Robert E. Dolan  
914-921-8821  
rdolan@lictcorp.com

**Trading Information**

OTC Pink®  
Common Stock  
Symbol: LICT



**LICT CORPORATION**  
**401 Theodore Fremd Avenue, Rye, New York 10580**  
**Tel: 914-921-8821**  
**[www.lietcorp.com](http://www.lietcorp.com)**