

# LICT CORPORATION

2019  
ANNUAL REPORT



## **(Y)our Teammates**

**Haviland Telephone (Kansas)** - Alex Brensing, 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, Dwight Smitherman, Jayci Smitherman, Brent Swingle, Diane Thompson, Jayne Thompson, Kevin Volavka, Audrey Wade, 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, Gentry Fund, Brian Nelson, Daniel Mitchell, Kyle Edwards, Nikki Talib, David Schmidt, Josh Lowery

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

**Michigan Broadband Services (Michigan)** - David Barresi, Todd Beauchamp, Katie Corey, Matthew Dale, Stacey Dani, Joe Dey III, Joey Dombrowski, Amber Dutton, Blaine Gadda, Bart Hall, Kyle Hovland, Sarah Hunt, Vicki Kakuk, Brent LaJoie, Gordon Leese, Aaron Matelski, Amanda Meade, Bruce Moore, Deborah Moreau, Gerald Moyer, 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 (California/Oregon)** - James Anderson, Lori Anderson, Mario Andreatta, Michael Atkinson, Charles Boening, Danielle Burrow, Bryan Coutier-Coates, Kevin Donahue, Jeremy Estep, Marc Estep, Shania Hardwick, Tamara Harper, Robert Hensley, Paul Hensley, Melinda Hill, Joleen Hogan, Elizabeth Jimenez, Trey Liblin, Dan Morrison, Keith Nielson, Kristi Olson, Edward Ormsbee, George Ormsbee, Shannon Pannell, Ana Marie Perez, Marcus Silva, Jennifer Skoog, Ryan Stevenson, Joan Tennison, Sara Thomas, Andrew Ulbricht, Scott Wimp, Waihun Yee

**Western New Mexico Telephone (New Mexico)** - Rudy Arambula, Valerie Barboa, Wayne Baxter, Liz Blancett, Matthew Brown, Rylan Carver, Becky Cooper, Dustin Coslin, Jeromy Curnutt, John Dunne, Matt Favre, Lisa Feigley, Willie Fletcher, Elizabeth Gardner, Wendy Gerleve, 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 Natasha Lopez, Tamra Ann Manning, Nancy May, Michael Montoya, Gary Nicklaw, Carrie Rice, Belinda Rogers, Stewart Rooks, David Rowell, Sandra Ruiz, Melissa Saenz, Lebert Saulsbury, Dana Scarborough, Bill Stroman, Justin Taylor, Jane Tibbs, Brendan Trujillo, Gary Trujillo, Vince Vega, Donald Washington, Shelli Watkins, Marci Watson, Kory Webb, Crystal White, Brian Williams, Kandra Young

**CentraCom (Utah)** - Nathan Abrams, Jason Anderson, Kenyon Anderson, Lynn Anderson, Todd Anderson, Kevin Arthur, David Barlow, David Barton, Tim Beesley, Tammy Bowers, LaTaya Boylan, Wesley Brailsford, Ken Carlson, Richard Carpenter, Faylyn Catmull, Virgil Chappell, Brandon Childs, Kirk Christensen, Monte Christensen, Eris Cloward, Pat Coates, Don Cohee, Carl Cornista, Bert Cox, Branch Cox, Casey Cox, Cory Cox, Eddie Cox, Jason Cox, Jeffrey Cox, Mike Cox, Ross Cox, Steven Cox, Aaron Davis, Asa DeGroff, Laramy Draper, Gayle Earl, Jess Earl, Parker Earl, Clint England, Reina Espinoza, Alisa Faatz, Armie Fackrell, Samuel Fineanganof, Eric Forbush, Jon Gale, Mary Gavril, Angela Hamilton, Julie Hansen, Kris Hansen, Megan Hansen, Bradly Hardly, Les Haskins, Austin Hathaway, Jason Hathaway, Larry Hawkins, Barrett Hilton, Jakob Howcroft, Kristie Ison, Robert Jenkins, Duane Jensen, Jeremy Johnson, Jerry Johnson, Richard Johnson, Dan Kendall, Kolten Kendall, Mark Larsen, George Lee, Eloisa Lemus, Jason Lewellyn, Lynn Litnak, James Maendl, McCall Manning, Arlene May, Eric McConahay, Janet McFarland, Lissette Mendez, Sterling Monk, Zach Naumu, Tanner Nelson, 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, Patrick Rawlinson, Pam Rigby, Daniel Roberts, Kenny Roberts, Troy Roberts, Alex Rugg, Paul Rymer, Tyrel Sackett, Tyler Schlappi, Dennis Sampson, Calvin Shelley, Abdiel Silva, Freddy Soriano, Jose Soriano, Tanner Spaulding, Kord Staples, Ryan Stewart, Sione Taufu, Manase Tesi, Shayne Thompson, Trayson Thompson, Trevyn Tucker, Staci Turner, Brad Welch, Keller Wheeler, Crystil Williams, Erin Williams

# LICT Corporation

## (Y)our Family

COMMUNICATION • EDUCATION • ENTERTAINMENT

DATA • TECHNOLOGY • VOICE • VIDEO



## **Financial Highlights**

*(Unaudited, in thousands, except for share amounts)*

<b>Calendar Year</b>	<b>2019<sup>(a)</sup></b>	<b>2018</b>	<b>2017</b>
Revenues	\$117,958	\$114,135	\$104,905
EBITDA	57,070	57,292	48,481
Capital Expenditures	25,212	21,401	22,218
Net Income from continuing operations	26,391	25,419	22,018
Diluted Earnings Per Share	1,355	1,254	1,046
Shares outstanding at year end	19,188	19,931	20,134

(a) Unaudited-The 10K will reflect final results

## **Giving Back**

<b>Calendar Year</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Contributions	\$1,272	\$2,477	\$1,064

## Letter from the Chairman and Chief Executive Officer

Dear Partners/Owners,

As we write this, the world's leaders are dealing with an unprecedented health and economic challenge related to COVID-19. Our focus is on the communities we serve and our dedicated teammates and their families, as they serve their communities. To assist all, (y)our Board has approved a charitable contribution to our communities. Our focus remains the same: our communities, our teammates and our partner/owners.

### Looking Back- A Baseline for the Future

To repeat what was said in last year's letter, current management assumed control of publicly traded Lynch Corporation (which was founded in 1917) after the control of shares were purchased from Curtis Wright in 1986. LICT was separated from Lynch Corp in 1999.

We thought we would share with you the Chairman Letter from Lynch's 1995 Annual Report – only a quarter of a century ago.

**We are in our 33<sup>rd</sup> year of stewardship of LICT**

Our accomplishments over the past 33 years include 8 spin offs and 33 acquisitions.

LICT Shareholder value since its spin-off from Lynch, has compounded by 18%; expressed more simply, a \$1 million investment in 1986 has an all-in value of approximately \$40 million today.

### 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 \$100 per share designated by each registered shareholder, as well as having given our teammates the opportunity to designate charities in their own communities. 295 of our teammates, out of 315 participated in 2019.

### Now-Back to 2019 and the Future-

(Y)our Shares of (y)our Company closed at \$18,000 at December 31, 2019, up from \$14,450 at the end of 2018.

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

### The Numbers - and Other

- Revenues in 2019 were \$118 million versus \$114 million in 2018. EBITDA was unchanged at \$57 million with capital expenditures of \$25 million versus \$21 million.
- We participated in three Spectrum Auctions: 101, 102 and 103. We are committed to acquiring Spectrum, ideally to serve our communities, but will remain prudent regarding the resources we have and the dynamics of acquiring spectrum.
- In December 2019, LICT merged its New Hampshire operation to CIBL, Inc. in exchange for 1,000 shares of CIBL. (CIBL was spun – off from LICT in 2007)
- We continue to use our cash flow to increase the underlying intrinsic of enterprise value of LICT as well as maintain financial flexibility, including the recent drawdown of our \$50 million line of credit. At March 31, 2020, LICT had approximately \$89 million of gross cash and debt of \$65 million.
- Our share buyback has been more active in recent years. In 2019, we reduced our share count to 19,188 from 19,931 in 2018, or 3.7%. We prefer that method in lieu of cash dividends as we repurchase shares below what we believe is our best estimate of intrinsic value.
- We are looking at acquisitions to help teammates bring service to existing and new communities.

We express our thanks to Robert E. Dolan. Bob joined us in 1989 and retired in June of 2019. We wouldn't let him go-Bob continues to serve on the Board of Directors. We are grateful for all that Bob has done for LICT.

I would like to thank our Board, Philip J. Lombardo, Gary L. Sugarman, Salvatore Muoio, Marc J. Gabelli, and Avrum Gray in helping search for and retain Daniel E. Hopkins, our new, President and Chief Financial Officer.

We thank all 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 President and Chief Financial Officer

Our mission is to improve the communities that we serve. We believe that we are best able to fulfill that mission by improving the financial condition of our business so that we are able to invest in and give back to our communities.

During 2019, we continued to execute our business plan to complement our mission. For the year, (y)our company:

- Invested \$25.2 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;
- Improved our financial condition by directing free cash flow toward debt reductions. This discipline and focus allowed us to achieve the significant milestone of reaching \$0 net debt. We ended the year with cash of \$28.4 million and outstanding debt of \$24.6 for a net cash position of \$3.8 million. As a result of proceeds from the sale of the MODOC Partnership interest to Verizon, our net cash position increased to over \$20 million in the first quarter of 2020. We expect to build that net cash position throughout 2020.
- Gave back to our communities through charitable donations of \$1.3 million in the names our shareholders and team members. We have made over \$5.5 million in charitable donations over the past four years.

We will continue to focus on executing our mission throughout 2020.

### Operating Results (Unaudited)

- Revenues were \$118 million in 2019, an increase of 3.3% from 2018 driven by a \$5.4 million increase in non-regulated revenues.
- EBITDA from Operations was \$57.1 million in 2019 which was flat compared to 2018. A 12.8% increase in non-regulated EBITDA was offset by an expected contraction in EBITDA from regulated operations.

	Year Ended December 31,		Increase	
	2019 <sup>(a)</sup>	2018	(Decrease)	Percent
	(In Thousands)			
<u>Revenues</u>				
Regulated	\$63,067	\$64,629	\$(1,562)	(2.4%)
Non-regulated	54,891	49,506	5,385	10.9%
Revenues	\$117,958	\$114,135	\$3,823	3.3%
<u>EBITDA</u>				
Regulated operations	\$31,794	\$34,933	\$(3,139)	(9.0%)
Non-regulated operations	22,751	20,159	2,592	12.9%
Cash distributions from equity affiliates	2,525	2,200	325	14.8%
EBITDA from operations	57,070	57,292	(222)	(0.4%)
Corporate expense	(3,876)	(4,006)	(130)	(3.2%)
Charitable donations	(1,272)	(2,477)	(1,205)	(48.6%)
EBITDA	\$51,922	\$50,809	\$1,113	2.2%

(a) Unaudited- The 10K will reflect final results.

**Operations** – We are proud of our operational achievements in 2019. 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 10.9% year over year growth. We will maintain this focus on non-regulated revenue growth in 2020 in an effort to balance our regulated and non-regulated revenue streams.

**Key accomplishments** – during 2019 and so far in 2020, we have completed several strategic transactions which position us to grow and create value by leveraging our financial strength. These transactions include:



Daniel E. Hopkins  
President and Chief Financial Officer  
Team member since 2019



- **Sale of New Hampshire operations to CIBL, Inc.** – The sale of the New Hampshire operations is a step toward streamlining our LICT operations with a greater focus on our key markets in the western portion of the country.
- **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.
- **\$50MM unsecured credit facility** – We closed on a 5 year, \$50 million, unsecured Revolving Credit Facility with CoBank in January of 2020. 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.
- **Share repurchases** - During 2019, the company repurchased 743 shares, or 3.4% of our outstanding shares, at an average price of \$16,739 per share for a total of \$12.4 million.

### **COVID -19 response:**

As is the case throughout our nation and the world, the communities we serve have been materially impacted by both the health and economic impacts of the COVID-19 pandemic. The global response to this pandemic of “shelter at home” and “social distancing” has highlighted the critical importance of the voice and broadband services we provide. These services are often even more critical in the rural communities we serve where other types of communication services are often not available or are more limited.

We understand the critical importance of staying connected to voice and internet service for education, work, personal health, and staying in touch with loved ones. We believe that it is our responsibility to step up and help out when our communities are in need. To that end, we have committed to not disconnect customers that are temporarily unable to pay because of circumstances related to COVID-19; to offer free or discounted internet connectivity to families with school aged children that need connectivity for distance learning; and to set up community WI-FI hot-spot locations to make sure that all community members can safely stay connected to information and loved ones.

Additionally, our Board of Directors approved a charitable contribution program to help our communities cope with the effects of the Covid19 pandemic. While the future is uncertain, we are well positioned to weather this pandemic and all of our teammates are committed to keeping our communities safe and connected to school, work and loved ones.

**2020 Outlook** – In 2020, our focus remains on being the premier broadband provider in our markets as supported by the FCC’s Alternative Connect America Fund. We will continue to invest in, and emphasize expansion of, our fiber network to grow our non-regulated revenue base. We expect total revenue to grow by approximately 3.5%, EBITDA from Operations to grow by approximately 2% to 3%, and our capital investment to be in line with our 2019 capital spending. We also expect to continue to increase our financial flexibility through solid free cash flow generation.

With our growth in non-regulated customers, the combination of stable A-CAM revenues, and a focus on controlling expenses, we expect to continue to generate free cash flow to build our net cash position. Our financial condition provides the flexibility to pursue strategic opportunities that will allow us to continue to grow and expand our operations.

While the economic future remains uncertain as a result of the COVID-19 pandemic, our commitment to our communities, our customers, and our business plan is unwavering. All of our teammates understand the importance of highspeed data connectivity, and we are dedicating all of our effort to delivering broadband to the largest number of residential and business customers possible.

Over the next several pages our team members will share with you our plans for continuing to develop and grow LICT.

*Daniel E. Hopkins*  
President &  
Chief Financial Officer



## Report of the Senior Vice President – Regulatory Dynamics

2019 was an excellent year for LICT from a regulatory standpoint. The Federal Communications Commission (“FCC”) enhanced the Alternative-Connect America Cost Model (“A-CAM”) for Rural Local Exchange Carriers (“RLECs”) which increased LICT’s annual regulated revenue and EBITDA \$4.5 Million from 2018 A-CAM levels. In addition, in 2019, our Wisconsin operation adopted the FCC’s A-CAM II methodology, which further increased annual regulated revenues and EBITDA approximately \$750K annually.

LICT gained two additional years of regulated revenue stability because LICT’s annual A-CAM funding of \$32 Million was extended from 2026 to 2028 for all our companies based on a commitment to build 25/3 Mbps to a greater number of eligible locations.

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 and New Mexico operations.

We anticipate LICT will show solid broadband growth in 2020 as we build additional facilities to meet A-CAM requirements and fulfill customer needs. Requests for new Internet service and increased data speeds exploded in conjunction with COVID-19 pandemic “shelter-in-place” mandates, including service for customers unable to pay for essential broadband connectivity needed for their child’s on-line education. We are working with parents and schools to provide students service needed to continue their education, even if they cannot afford service. Almost over-night, employees became telecommuters, and LICT rose to the challenge of making broadband available to work from home. In addition, LICT pledged to the FCC to not disconnect customers for non-payment due to the pandemic and established free Wi-Fi hotspots, where feasible.

A-CAM was designed on the fundamental principle that broadband is an essential component for everyday living. LICT has been working diligently to fulfill that. The pandemic clearly shows how critical Internet connectivity is for telecommuting, on-line education, communicating with friends and family, as well as obtaining entertainment services. We knew high-speed data enhances lives everywhere, but the pandemic transformed broadband from an enhancement to an absolute necessity.

I believe 2020 will be another very good year. I am pleased to report that our LICT employees are rising to meet or exceed the demands and expectations placed on them; working tirelessly to keep our networks operational and providing critical broadband service while ensuring employees and customers are safe.



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

*Evelyn C. Jerden*  
Senior Vice President-  
Regulatory Dynamics

# Review of Operations

## Utah

The CentraCom team had another excellent year in 2019. Our success was mainly due to increased sales to business, wireless carriers, and especially residential subscribers.

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 1,521 route miles of fiber; this is an addition of 166 route miles of fiber in a single year.

CentraCom also continues to see unprecedented growth in cable modem Internet customers. In 2019, there was a net addition of 753 cable modem customers, representing growth of 7%. At the end of 2019, the company had 15,099 residential broadband customers.

CentraCom continued to deploy fixed wireless broadband Internet to protect existing service areas by providing more adequate speed than DSL was capable of at greater distances, and open up additional competitive service areas. The Company was able to add nearly 500 subscribers for 71% growth from the previous year's numbers.

CentraCom began to deploy Fiber – to - the - Home in many new subdivisions. Citywide deployments are planned in order to increase speed and reliability, which will make the systems much more future proof for the additional broadband capabilities that the average consumer will need over the next few years. At year-end 2019, CentraCom had deployed approximately 187 Fiber – to – the - Home customers; we expect that number to grow substantially in 2020 as we deploy across entire communities.

CentraCom is looking forward to continued growth in our operations in 2020.



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

*Branch Cox*  
*Eddie Cox*

## New Mexico



Matthew Favre  
General Manager  
Team member since 2017

Western New Mexico Communications and Telephone companies operates in approximately 17,000 square miles of Southern New Mexico. This large service area in perspective is about the size of the states of Maryland and Massachusetts combined. The miles of plant total over 4950 miles of plant of which includes over 800 miles of fiber optic cable. In 2019, approximately 32 miles of fiber optics and electronics were installed to support the operations.

The WNM Communications Team (“WNM”) continues to expand its broadband facilities through the use of fiber optics facilities and the expansion wireless platforms using the 5ghz and recently acquired 24ghz frequency for last mile and multi-point delivery systems. These facilities and platforms provide the capability to provide high bandwidth solutions to larger needs customers while still providing a cost-effective capability for access to small businesses and residential consumers for slightly slower bandwidth needs. WNM continues to enhance its service footprint via market footprint expansion to go along with increased business products solutions for commercial clients while also providing internet and IPTV for their residential consumers.

Total Revenues grew by 5.5% year over year, driven by the 20+% Non-Regulated growth due to increase residential and business connectivity. Total EBITDA grew by approximately 3% year over year, with Non-Regulated EBITDA growing by approximately 22%. This performance was directly related to increase 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 market footprint for business and residential customers. The inclusion of cost-effective internet and TV solutions for residential consumers adds to the in growth of subscribers. Secondly, business solutions such as the inclusion of new products in SD-WAN, Failover and Redundancy services, Last-Mile solutions, Wireless/WIFI Management and other products has greatly impacted the ability to secure additional commercial clients. WNM continues to drive on our targeted verticals such as Healthcare, Banking, Educational and Municipal opportunities.

Regulated governance with the New Mexico Public Regulatory Commission has stabilized with the New Mexico USF through WNM and association efforts. The outlook in this regard to the New Mexico USF has seemed to normalize and a universally accepted pool payout calculation established.

WNM continues to enhance its recognized and admired efforts towards assisting the communities we serve. Annually, WNM has supported over 50 local organizations in one fashion or another and is well known in its charitable assistance to the communities it serves.

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 2020.

*Matt Favre*

## Michigan



Bruce Moore  
General Manager  
Team member since 2016

In 2019, Michigan Broadband Services (MBS) made significant progress building out of territory fiber networks while continuing to provide exceptional service to all of our valued Michigan customers.

The company successfully executed on year three of our A-CAM build-out strategy offering 25Mbps and 10Mbps services to previously underserved homes in the in the Upper Peninsula of Michigan.

Our competitive fiber optic networks were expanded in both the Traverse City and Escanaba markets now offering 10Gb fiber broadband service. In Traverse City, MBS expanded our fiber overbuild by securing a dark fiber IRU and adding six optical cabinets along the new fiber ring to expand our footprint. With this new footprint, we now have the opportunity to serve an additional five hundred commercial businesses in the community. We now count our fiber customers in the hundreds served on the combined markets.

A great example of serving our communities in 2019 was our ability to extend the fiber network to serve the State of Michigan Fairgrounds located in Escanaba. This property hosts the annual Michigan State Fair each summer attracting over a quarter million visitors. The fair operation, and vendors now enjoy fiber broadband connectivity during the weeklong event.

The total fiber new fiber network included an addition nine miles of aerial and underground fiber construction in 2019. To date, we are winning over 40% of the business passed in Escanaba.

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

In 2019, we solidified our sales team delivered significant results allowing us to double the monthly recurring revenue of our competitive fiber networks. 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.

Michigan Broadband also acquired the cable television franchise on Drummond Island. We have been the long-time incumbent telephone and broadband provider on Drummond Island. By securing the right to offer cable television and cable broadband service, we expect to significantly enhance our service offerings in 2020 and beyond.

The entire Michigan Broadband team is proud of the significant progress gained in 2019 and is looking forward to delivering the results of our 2020 profit plan.

*Bruce Moore*



## Iowa and Wisconsin

As a result of our multi-year focus on non-Regulated revenues, we have expanded CS Technologies total Revenue and EBITDA results. ACAM II in Wisconsin for 2019 represented an approximate .7 million dollars lift to total EBITDA and Revenues. During the 5 years prior to 2019 overall Regulated revenues had declined by .3 million. To offset we grew non-Regulated revenues and EBITDA. Local and contiguous, the Dixon Telephone Company's operations were successfully consolidated under Central Scott Telephone in 2016.

2019 brought the third full year impact of A-CAM in Iowa; for Iowa a reduction in Regulated revenues in exchange for a higher level of regulated revenue clarity. ACAM II funding in Wisconsin will bring expanded rural capabilities for 1,108 homes as we begin Fiber-to-the-Home (FTTH) construction in 2020.

Resulting 2019 Iowa and Wisconsin revenues totaled \$13.2 million producing EBITDA that exceeded \$5.7 million; another year of margin improvement. As we enter 2020 the Iowa and Wisconsin CS Technologies organization represents a larger piece of the LICT revenue pie. 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 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. The five-year commitment to increased Internet revenues was met in year four. A 2020 Cuba City with FTTH coupled 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. During the 2 ½ years following the completion of this 884-home project in June of 2017 ARPU growth exceeds \$5.

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 2020 and beyond will continue to leverage the capital investments made in the Quad Cities and Dubuque, Iowa markets. Thirty percent of our 2019 revenues came from our CLEC operation. Recent competition in these markets force us to lower our rates to preserve and protect our customer revenues. 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*

## 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 (FTTP), 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 2019, 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.



Edward Ormsbee  
General Manager  
Teammate since 1985

In 2020, COM will continue to expand and build on our 2019 success within our California markets including Yreka, Mt. Shasta, Weed and Dunsmuir. In Klamath Falls, Oregon, where there is significant competition, COM will selectively add additional FTTP routes. COM will also be increasing sales coverage in 2020 across all markets. 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 \$1.8 million in 2019. Data backhaul accounted for \$0.9 million of the total.

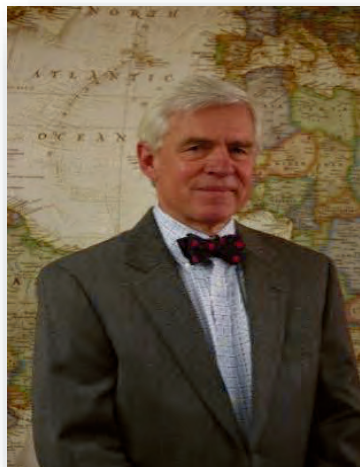
The California Legislature recognizes the critical role of current technology communication services between rural areas and the remainder of the state. To support communication in rural California, they created a state Universal Service Fund program entitled the California High Cost Fund – A (CHCF-A). 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 received \$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 Klamath Crisis Center, 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. 2020 will be a challenging time for our communities and the people and businesses we support. The entire Cal-Ore team is not only working hard to grow our business, but also working hard to strengthen the areas in which we live and work.

*Edward Ormsbee*



## Kansas



*Mark Wade  
President  
Team member since 1990*

The Kansas LICT companies include 2 ILECs, J.B.N. Telephone and Haviland Broadband, which provide traditional broadband and voice services, in 27 small towns. Under these brands, we serve about 3,800 traditional phone subscribers, 3,300 broadband customers, and about 400 out-of-area broadband subscribers. Giant Communications, Inc., our Kansas non-regulated services company, provides broadband and CATV, services in Holton and 9 other towns in northeast Kansas. Primarily residential in these areas, Giant serves approximately 1,900 cable modem broadband subscribers and just under 1,000 CATV customers. Giant also provides fixed wireless broadband to some 560 subscribers in these areas.

Since 2012, Giant has developed a substantial cloud-based business voice service offering primarily in Topeka and Wichita areas, leveraging an existing soft switch, billing platform and IP connectivity. In 2019, the underlying hardware and software was improved to continue providing stable business services to about 3,600 seats, a proxy for phone lines. In 2020, we will introduce additional features to enable a large range of business functions, from simple work-from-home to large customer care operations.

In 2018, Giant began selling broadband and voice from equipment located in a major Topeka switching center, to reduce the cost of wholesale access. By the conclusion of 2019, Giant had installed over 10 miles of fiber-optic cable along 2 major business routes. In addition, the company leveraged fiber duct assets to gain access to additional fiber mileage owned by Kansas Fiber Network, of which Giant holds about 4% ownership. This gives Giant a rough rectangle around Topeka. Giant derives about 14% of its business-to-business revenues from the Topeka area. Currently, the Topeka area subscribership has surpassed business subscribers in the Wichita area, where Giant has been selling business services on networks owned by others. Giant continues to aggressively place fiber for customers in and near to its Jefferson and Jackson County areas, which represent about 49% of business revenues. Major builds include service to a Native American tribal area, rural schools and hospitals, and to select residential areas near existing assets, where our wireless product is not well suited.

The Haviland operation has had a close relationship with the small town of Greensburg, its county seat, for many years. After the 2007 tornado demolished the town, we began providing broadband services via fixed wireless. In 2018, we built fiber in the city to the county school district and hospital. In 2019, we began replacing fixed wireless in the city with fiber-based broadband. We currently offer retail speeds to residences impossible with typical wireless deployment. In 2020, we will complete the fiber build to remaining locations in Greensburg.

J.B.N., the ILEC in north Kansas, continues its quest to replace rural copper loops with fiber or fiber-fed equipment via builds in or near 2 additional towns. (Copper loop length is inversely related to broadband speeds.) In addition, several areas' DSL equipment was upgraded, to provide faster broadband service.

In 2019, we reduced subscribership below 6 Mbps by 4% while increasing speed to 15% of locations. Overall, broadband increased by 6%. Subscribership at or above 100 M increased by 1.5%. Business speeds up to 1 Gigabit per second has also improved, albeit more slowly. At the Haviland operation, we will see broadband counts exceed telephone counts in 2020.

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*

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

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

ACTS Legacy Foundation ▲ Alzheimer's Disease and Related Disorders Association Inc.,  
▲ American Legion Post 438 ▲ American Theater Wing ▲ Anderson Gardens ▲ Angel's  
Hands Foundation ▲ Apache Creek Deaf and  
Youth Ranch ▲ Argonia Friends ▲ Axiom Project  
Inc. ▲ Barclay College Association, Inc. ▲ Bay  
Cliff Health Camp ▲ Bear Lake Watch ▲  
Benevolent & Protective Order of Elks ▲ Big  
Brother Big Sister of the Bay Area ▲ Big Brothers  
Big Sisters of the Mississippi Valley ▲ Boy  
Scouts of America - Crater Lake Council ▲ Build  
Inc. ▲ Butte Valley Ambulatory Service ▲ Butte  
Valley Montessori Children's House, Inc. ▲ Calamus-Wheatland Elementary Booster Club  
▲ Camp Good Days and Special Times ▲ Carney Round-Up Rodeo ▲ Carroll County  
YMCA ▲ Central Utah Food Sharing ▲ Chasing Tails Rescue ▲ Chester County Library  
Trust ▲ Chris Kyle Frog Foundation ▲ Christa McAuliffe Space Center ▲ Cliff FFA  
Alumni ▲ Cliff-GILA Fair Association ▲ CNS ▲ College Bound Opportunities ▲  
Columbus Citizens Foundation, Inc. ▲ Community Foundation of Teton Valley ▲ Cornelia  
de Lange Syndrome Foundation ▲ Cowboys for Cancer Research ▲ Crispus Attucks  
Association ▲ Cuba City United Methodist Church ▲ Cystic Fibrosis Foundation, Utah  
Chapter ▲ Datil Christian Cowboy Church ▲ Delta Animal Shelter ▲ Diocese of Palm  
Beach FBO St. John the Evangelist ▲ Discover Klamath Visitor & Convention Bureau ▲  
Dorris Volunteer Fire Department ▲ East End Hospice ▲ Eldridge Volunteer Fire  
Department Co. ▲ Elks Lodge #1813 ▲ Empower Playgrounds, Inc. ▲ Eugene Family  
YMCA ▲ Fairview Elementary PTA ▲ Fairview Museum Corporation ▲ Feed the  
Children ▲ Foundation @NJIT-Sal Capriglione Memorial Endowment Scholarship ▲  
Foundation of Human Understanding ▲ Friends Disaster Service ▲ Friends of Argentine  
Tango ▲ Friends of Magdalena Library ▲ Friends of the Public Library of Silver City ▲  
Future Farmers of America ▲ Gary Sinise Foundation ▲ George School Fund ▲ Gila  
Valley Baptist Church ▲ Gila Valley Library ▲ Gilda's Club Quad Cities ▲ Girl Scouts of  
Eastern Iowa and Western Illinois ▲ Goldie Initiative ▲ Gospel Rescue Mission ▲ Grand  
Mound Volunteer Fire Department ▲ Greater Washington Jewish Coalition Against  
Domestic Abuse ▲ Green Beret Foundation ▲ Handicapped Development Center ▲ Hands  
of Hope Rescue ▲ Harvest Fellowship Assembly of God ▲ Hebrew Institute of White  
Plains ▲ High Desert Humane Society ▲ Hills Peninsula Hospital Foundation-Heart and  
Vascular Institute Fund ▲ Hoof Prints of Hope ▲ Humane Society of Scott County ▲  
Humane Society of Utah ▲ Indian River Habitat for Humanity ▲ Indian Springs Ranch ▲  
International Association of Lions Clubs ▲ International Foundation for Art Research ▲  
Investigative Project on Terrorism ▲ Israel Tennis ▲ Jackson County Fair Association ▲  
Jackson County Kids Closet ▲ JDRF International ▲ Jewish Federation Palm Beach ▲  
Johns Hopkins at Kenswick ▲ Journey Together Service Dog, Inc. ▲ Kardian Ministries

▲ Kids Science Café ▲ Kiowa County Veterans Memorial Foundation, Inc. ▲ Klamath Humane Society, Inc. ▲ Klamath Lake Counties Food Bank ▲ Lake Lundgren Bible Camp Inc. ▲ Las Cruces Catholic Schools ▲ Legacy Ministries Inc. ▲ Lewy Body Dementia Association ▲ Little Lambs Foundation for Kids ▲ Littleton Area Historical Society ▲ Living Lands & Water Restoration Organization ▲ Los Angeles Regional Food Bank ▲ Loyola Jesuit Center ▲ Magdalena Chamber of Commerce ▲ Magdalena Old Timers Reunion Association ▲ Make a Wish Foundation of New Mexico ▲ Marine Corps League ▲ Menominee Animal Shelter, Inc. ▲ Meridian International Center ▲ Michigan State University - Country Clovers 4H Club ▲ Military Veteran Project ▲ Mill Plain Independent Hose Co No 12, Inc ▲ Mimbres Region Arts Council (MRAC) Inc. ▲ Mission Church: Our Lady of Good Counsel (Holy Cross Church) ▲ Mission Pre-Born ▲ Muscular Dystrophy Association ▲ National Center for Youth Law ▲ National Multiple Sclerosis Society ▲ Nationalities Service Center ▲ New Horizon Christian Fellowship ▲ New Mexico Farm and Livestock Bureau Foundation, Inc. ▲ New Mexico Immigrant Law Center ▲ North Rockland Youth Hockey ▲ North Scott Educational Foundation ▲ North Scott Food Pantry ▲ On With Life ▲ Operation Smile ▲ Operation Wildlife, Inc. ▲ Organization for Autism Research ▲ Holy Cross Parish ▲ Purdue University-College of Veterinary Medicine ▲ Philippines Humanitarian ▲ Planned Parenthood Federation of America ▲ Playcrafters Inc. ▲ Pratt Community College Foundation ▲ Pregnancy Services of Delta County ▲ Primary Children's Medical Center Foundation ▲ Pro Publica ▲ Project Give ▲ Quad City Paws ▲ Ranch Hope ▲ Redlands East Valley Girls Softball Booster Club ▲ Ringling College of Art and Design-Madeby Gallery ▲ Rope 4 Hope ▲ Rural Senior Adult Services Inc. ▲ SCARS- Second Chance Animal Refugee Society ▲ Secular AA, Inc. ▲ Shriners Hospital for Children ▲ Silver City Gospel Mission ▲ Silver City Museum Society Corporation ▲ Silver Regional Sexual Support Service ▲ Siskyou Food Assistance ▲ Southern New Mexico Diabetes Outreach ▲ SPCA Westchester ▲ Spectrum Academy ▲ Spertus Institute ▲ SPINA BIFIDA Association of America ▲ SS Philip and James Parish ▲ St. Augustine University Parish ▲ St. Joseph's Parish ▲ St. Jude Children's Research Hospital ▲ St. Mark Youth Enrichment ▲ St. Rose Congregation ▲ St. Vincent de Paul Catholic Church ▲ State University of Iowa Foundation ▲ Stickney Educational Trust ▲ Straight and Narrow ▲ Teton Valley Foundation ▲ The Axiom Oroville ▲ The Jewish Communal Fund ▲ The John G. Shedd Institute for the Arts ▲ The Straighter Way Foundation ▲ The Triad School ▲ Tiny, Mighty, and Strong Corporation ▲ Topaz Museum ▲ Topeka Rescue Mission ▲ Tri-County Safe Harbor Inc. ▲ Trinity Church ▲ Twin Mountain Chamber of Commerce ▲ UCSF Foundation-Endocrine Surgery & Oncology ▲ Utah Domestic Violence Council ▲ Utah Food Bank ▲ Utah Foster Care ▲ Utah Valley Animal Rescue Inc. ▲ Vera French Community Mental Health ▲ Veterans of Foreign Wars Club Overseas ▲ Veterans of Foreign Wars of Michigan ▲ Veterans of Foreign Wars of the United States of Kansas ▲ Watch Tower Bible and Tract Society of New York, Inc. ▲ White Memorial Camp Management Group Inc. ▲ Wichita's Littlest Heroes ▲ Wounded Warrior Project ▲ Young Life - Tucson Metro ▲ Youth Core Ministries ▲

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

**Board of Directors**

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**Transfer Agent and Registrar For Common Stock**

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59 Maiden Lane  
New York, NY 10038

**Trading Information**

OTC Pink®  
Common Stock  
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