LICT CORPORATION

2014

ANNUAL REPORT

LICT Corporation

Family of Companies

COMMUNICATION • EDUCATION • ENTERTAINMENT

VOICE • DATA • VIDEO • TECHNOLOGY

FINANCIAL HIGHLIGHTS

In thousands, except for share amounts	For the Year Ended December 31,				
	2014	2013	2012	2011	2010
Operations, excluding discontinued operations (a)					
Revenues					
Regulated	$ 54,075	$ 52,431	$ 55,100	$ 55,818	$ 59,292
Non-Regulated	31,781	28,327	24,830	21,224	19,060
	85,856	80,758	79,930	77,042	78,352
EBITDA before corporate expenses (b)					
Regulated	24,112	23,505	25,935	26,813	29,412
Non-Regulated	13,721	10,480	10,373	8,754	8,327
	37,833	33,985	36,308	35,567	37,739
Depreciation and Amortization (c)	17,659	16,456	15,804	16,106	15,075
Capital Expenditures	16,536	17,950	12,199	15,033	16,008
Consolidated (a) (d)					
Net Income from continuing operations and excluding unusual items	$ 9,175	$ 7 ,454	$ 15,355	$ 3,963	$10,649
Per Share (basic and diluted)	$ 410.18	$ 328.03	$ 655.48	$ 166.64	$444.10
Net Debt (e)	$ 36,311	$ 54,555	$ 69,207	$ 88,580	$ 96,626
Shareholders' Equity attributable to LICT	98,727	89,563	83,014	68,096	64,807
Shares outstanding at year end	22,272	22,486	23,125	23,538	23,979

(a) On December 24, 2014, the Company sold its DFT Communications Corporation ("DFT") subsidiary to Brick Skirt Holdings, Inc. The Company has elected to treat DFT as a discontinued operation. As such all prior periods have been restated to exclude the impact of DFT in the financial results of the Company

(b) 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 (loss) of $16.1 million, $13.4 million, $14.6 million, $17.4 million and $19.9 million for 2014, 2013, 2012, 2011 and 2010, respectively. Corporate expenses for the same respective years were $2.6 million, $3.1 million, $3.5 million, $3.2 million and $3.8 million.

(c) The Company recorded goodwill impairment resulting from the annual valuation of $3.1 million in 2011.

(d) Unusual items include: goodwill amortization, intangible impairments, gains and losses on sales of investments and income tax provisions or benefits resulting from uncertain tax positions. Such amounts are tax effected to the extent they were included in net income.

(e) For 2014 and 2013, Net debt is pro-forma and is offset by cash and cash equivalents, and deposits with the FCC for the purpose of participating in spectrum auctions. Such deposits with the FCC were returned to the Company in the First Quarter of 2015 and 2014 respectively.

Fellow Shareholders:

Our share price opened the year at $2,400 and closed at just over $5,000. During the year we shared with you that we received bids for our company that were well above market value but below our intrinsic value. From an operational point of view, our goal was to accelerate growth, tighten our strategic focus, broaden our product base, and strengthen our management team and improve our financial flexibility.

During 2014, we accomplished these goals, but there remains much more to do.

We participated in two FCC Spectrum Auctions; Auction 96 at the beginning of the year and Auction 97 at the end. In both cases, we were outbid by behemoths, some of which received small business discounts.

At the end of 2014, we entered into a new $30 million revolving credit facility with CoBank, ACB. At December 31, 2014 we borrowed $22.4 million under this facility. More importantly, we have $11 million of liquidity at the corporate level to both make acquisitions as well as to provide compensation for our owners.

DFT was started by the Maytum family in 1898, bought by LICT in 1996, and over the years the Maytums have maintained very close ties to the communities they serve. As we shared with you before, LICT partnered with the Maytum family to do a management buyout of DFT Communications Corporation ("DFT"), the parent company of the Dunkirk and Fredonia Telephone Company. LICT retains a continuing financial interest in DFT with a note receivable and a 20% warrant exercisable for five years.

Overall our revenues and EBITDA in 2014 grew by 6% and 14% respectively. More significantly, our non-regulated revenues and EBITDA grew by 12% and 29% respectively. Our earnings per share were $396 per share in 2014 as compared to $328 per share in 2013.

We strengthened our financial team by adding John Aoki as Controller and Stephen Moore as Vice President-Finance. Our Board has authorized a search for an individual to serve as President.

For 2015, we will continue to further grow our non-regulated businesses and monitor our regulated side.

We thank our directors, our management team and our owners.

Mario J. Gabelli,
Chief Executive Officer

Report of the Executive Vice President and Chief Financial Officer

We are pleased to report that our operating results for 2014 displayed growth in both the regulated and non-regulated businesses. On an overall basis, our revenues grew by 6.3% to $85.9 million and EBITDA grew 14.1% to $35.2 million. These have been adjusted to exclude amounts associated with our New York operations which we sold at the end of 2014. Due to the continuing regulatory challenges which confront our entire industry, it will be difficult to replicate these increases in 2015. Nonetheless, we are successfully diversifying and growing our non-regulated operations to enhance the foundation of our company going forward.

Operating Results

	Year Ended December 31,			Percent
	2014	2013	Increase	Increase
	(In Thousands)			
Revenues				
Regulated	$54,075	$52,430	$1,645	3.1%
Non-regulated	31,781	28,328	3,455	12.2%
Revenues	$85,856	$80,758	$5,100	6.3%
EBITDA				
Regulated	$24,112	$23,505	$607	2.6%
Non-regulated	12,283	9,505	2,778	29.2%
Cash distributions from equity affiliates	1,438	975	463	47.5%
EBITDA before corporate	37,832	33,986	3,848	11.3%
Corporate expense	(2,622)	(3,112)	490	15.7%
EBITDA	$35,210	$30,874	$4,338	14.1%

Our 2014 regulated revenues increased from the prior year by $1.6 million due to higher interstate access and support revenues, resulting primarily from well-focused capital expenditures, offset by lower local revenues due to loss of access lines, and lower intrastate access revenues due to declining minutes of use. As described in other sections of this Annual Report, the regulatory model in which we operate is continually evolving. Despite our increased revenues in 2014, our industry continues to be affected by changes in the regulatory model by the Federal Communications Commission and state public service commissions, erosion of access lines and minutes of use, and industry-wide actual rate-of-return on investment that is lower than the authorized rate-of-return. While we will continue to make significant investments in infrastructure in the rural areas we serve, our commitments need to be tempered by anticipation of continuing changes to the federal and state support mechanisms.

On the non-regulated front, our broadband wireline data revenues, both within and outside our regulated territory, increased by $3.4 million primarily due to out of territory fiber optic circuits, cellular back haul and cable modem sales. We achieved particularly significant growth in Utah, Iowa, and California.

Our outlook for revenues and EBITDA before corporate expenses for 2015 is $87 million and $38 million, respectively. While we continue to expect significant growth in our non-regulated business, structural declines in our regulated business will offset that growth.

We expect 2015 cash distribution from an equity affiliate to grow to $1.6 million from $1.4 million in 2014. These distributions are from a 25% owned cellular provider in Northern California, managed by Verizon Wireless.

During 2014, we invested $16.3 million in capital expenditures. We are committed to increasing data speeds by extending our fiber optic facilities and installing equipment capable of providing higher bandwidth closer to our existing customers, as well as expanding fiber connectivity to customers outside of our territories. We are currently expecting total capital expenditures in 2015 to be about the same as 2014.

Growth Opportunities

We are focused on three high-growth business segments that should continue to drive revenue growth through 2015.

- ***Broadband*** – We continue to enhance our broadband network capabilities by building fiber deeper into our network. 98.5% of our access lines are now broadband enabled and we can deliver speeds of 10 Mbps or higher to 70% of those access lines. Broadband penetration as a percent of primary access lines company-wide is 68%. We expect further penetration as the demand for higher speed internet access continues to grow.

- ***CLEC*** - LICT has expanded its geographic reach by establishing CLEC operations in surrounding markets. We provide data and voice services to business customers over owned and leased fiber networks. Our CLECs in the Quad Cities and Dubuque, Iowa; Provo, Orem, and Salt Lake City, Utah; Klamath Falls, Oregon; Silver City and Deming, New Mexico; and Wichita, Kansas, will all be making positive contributions in 2015. During 2014, our CentraCom management team engineered a swap of our Logan, Utah PCS license for 12 strands of fiber optic cable in downtown Salt Lake City which will provide us with strategic advantages and significant cost savings for our entry into that market.

- ***Cell Backhaul*** – During 2014, we continued to build fiber to cell tower sites to provide wireless data transport. This allows us to participate in the growing demand for wireless broadband services and also opens new broadband opportunities in our markets. We expect continued demand for transport services from the major wireless providers as mobile data usage grows. Management personnel at our CentraCom operation in Utah are instrumental in coordinating our opportunities to bid on long-term wireless contracts on a company-wide basis.

Asset Rationalization

Late in 2014, we sold our New York operations, DFT Communications Corporation, to Brick Skirt Holdings, Inc., an entity controlled by the Maytum family, who founded DFT over a century ago and from whom we acquired it in 1996. For almost 20 years, they were an integral part of the LICT family of businesses, sharing resources throughout our entire group of companies. As part of the transaction, we received cash, notes, and the right to acquire an on-going interest in Brick Skirt. The sale reflects a combination of the Maytum family's desire to reacquire the family legacy and our desire to focus our efforts on a smaller group of companies primarily located west of the Mississippi River.

Through the selective sale of assets or operations, at multiples anticipated to be above those implied in the trading price of our shares, or in appropriate cases, the spin-off of particular assets to our shareholders, we will continue to redefine LICT's operations and strategic direction .

Debt Structuring

At year end, our net debt (total debt less cash and equivalents adjusted for the deposit and special purpose loan associated with Federal Communications Commission Auction 97, which was unwound in February 2015) was $36.3 million or 1.0 times our 2014 EBITDA. This represents a decrease of $26.2 million, from the $62.5 million in net debt at the end of 2013. Over the last five years, we have reduced our net debt by $73.2 million, or 67%, from $109.6 million at December 31, 2009. Also, during 2014, we continued to improve our internal financial structure by repaying the debt that restricts the cash flows to corporate. At the end of 2014, LICT closed on a $30 million revolving credit facility from CoBank, ACB. The facility, which expires in December 2017, provides the company with increased financial flexibility for potential shareholder compensation, expanded business initiatives, higher borrowing capacity, and at a lower interest rate. During 2014, our cash interest expense fell from $4.0 million to $3.7 million, a 7.8% reduction, driven by debt reduction, partially offset by a slightly higher average aggregate interest rate, as our debt mix shifts to more fixed interest rate obligations. We expect cash interest expense to be about $2.9 million in 2015, due to lower overall interest rates and debt reductions.

Share Repurchases

During 2014, the company repurchased 214 shares, or 1.0% of our outstanding shares, at an average price of $3,618 per share. Given our restructured financing, we may adopt a more significant share repurchase program in 2015.

Spin-Off Update

CIBL Inc. - On November 19, 2007, we spun-off one share of CIBL, Inc. (OTC Pink®: CIBY) for each share of LICT owned. In 2014, CIBL completed the sale of its interests in two network affiliated television stations for proceeds of $22 million. Since the spin-off from LICT, CIBL has paid cash distributions to its shareholders of $170 per share and repurchased 27.9% of outstanding shares. It currently has $24.6 million in cash and owns 164,307 or approximately 42.7% of ICTC Group Inc.'s total shares outstanding. CIBL's common stock price ended 2014 at $1,350 per share.

ICTC Group Inc. - On May 31, 2010, for each share of LICT owned on the record date, our shareholders received 13 shares in ICTC Group, Inc. (OTC Pink®: ICTG). ICTC recently reported its 2014 results with revenues of $4.0 million and EBITDA before corporate costs of $1.46 million, and at December 31, 2014 its net debt was $0.4 million. It provides broadband and other communications services to a number of communities in southeastern North Dakota. In addition, ICTC has minority interests in Dakota Carrier Network, a statewide fiber network owned by North Dakota RLECs, and entities that provide cellular telephone service in two rural service areas in North Dakota. ICTC's common stock price ended 2014 at $18.20 per share, or a total of $236.60 for the 13 shares distributed by LICT.

Management Team and Directors

We have an experienced and stable management team that averages over 20 years in the telecommunications industry. Our companies' personnel also have close and long-standing ties to the communities that they serve. We are in an excellent position to leverage our reputation and "local" advantage to increase penetration of new service offerings.

Conclusion

We would like to thank the management and all the employees of our operating subsidiaries for their good work and success in 2014. We are also confident of their determination to make 2015 even better. It is their initiative, drive, and commitment to their communities that are transforming LICT Corporation. We also thank you, our shareholders, for your long-term support of LICT. We look forward to the years ahead with great optimism.

Robert E. Dolan
Executive Vice President and
Chief Financial Officer

Report of the Senior Vice President – Regulatory Dynamics

2014 was another year when the rules governing LICT's Rural Local Exchange Carriers ("RLECs") were again modified by the Federal Communications Commission ("FCC") and several of the state commissions that regulate our companies. In 2014, the FCC revised the High Cost Loop Support ("HCLS") Universal Service Fund ("USF") computation to be effective mid-year 2015. The FCC's new HCLS method is favorable to LICT and should result in an improvement for LICT's total HCLS revenue.

In December 2014, the FCC increased the minimum broadband speed from 4 Megabits per second ("Mbps") for downloads and 1 Mbps for uploads to 10 Mbps/1 Mbps for providers who receive Connect America Fund ("CAF") USF revenues. These minimums apply where the carrier has received a "reasonable request" for broadband service, with the reasonableness of the request being determined under FCC criteria. Shortly thereafter, in January 2015, the FCC increased their broadband "benchmark" speeds to 25 Mbps/3 Mbps, citing advances in technology and consumer demand. While 25 Mbps/3 Mbps is not currently a mandate to receive CAF revenues, it is expected that in the future, the FCC will also increase the minimum broadband speed to receive CAF support; therefore, LICT is considering the 25 Mbps/3 Mbps requirement when making capital expenditure decisions. Increased bandwidth to 25 Mbps/3 Mbps may result in incremental expense to purchase additional bandwidth to the cloud and for capital expenditures to shorten the non-fiber portion of the customer's loop. This can be challenging, especially in some of the extremely rugged, rural territory that LICT serves.

The FCC is currently considering allowing rate-of-return carriers, like those owned by LICT, to voluntarily adopt substantially different rules to receive USF revenues based on a cost-model rather than actual costs. Since the final FCC rules to accomplish this are not yet available, at this time, we cannot predict if the new USF mechanism could be beneficial to LICT.

Looking ahead, 2015 will be a challenging time on the regulatory front to position LICT for future success. The continued migration of voice service to wireless and Voice over Internet Protocol ("VoIP") technologies, the need to provide increased broadband speed, both due our customers' expectations and the regulators' demands, and at lower prices, and the desire by many subscribers to only purchase high speed data services rather than also subscribing to our voice services, are pushing LICT to be more innovative and resourceful. However, we are confident that we are well-prepared to successfully meet the on-going challenges that lie ahead.

Evelyn C. Jerden
Senior Vice President – Regulatory Dynamics

Operational Review

The **CentraCom Interactive** team had an excellent year again in 2014 due largely to increased sales to businesses, wireless carriers, institution, and residential subscribers. CentraCom continued to expand its fiber network throughout Utah, adding fiber facilities along the Wasatch Front and extensively throughout Millard County. The company now has over 1,000 route miles of back-bone fiber facilities and has one of the largest fiber footprints in the State of Utah. These facilities deliver high capacity Ethernet services to schools, hospitals, cell towers, and enterprise customers. The number of high speed internet customers again increased substantially, increasing 10.5% for the year. We expect this trend to continue in 2015. The company continues to complete new interconnection arrangements with other carriers. This has opened the door for CentraCom to provide services to numerous enterprise customers not previously reached by our network. The company now has a Salt Lake City downtown fiber ring which was made possible through a spectrum/fiber trade with Syringa Networks. This trade has brought new opportunities to expand our business offerings. We are looking forward to extensive growth in our non-regulated operations in 2015.

WNM Communications continued the emphasis on the non-regulated segment of the business in 2014, by focusing on four important lines of business; Internet, CLEC (including VoIP), Long Distance and Contract Services. We succeeded in growing the non-regulated revenues by double digits in every line of business and had an overall non-regulated revenue growth of $330k or 14%. EBITDA for the non-regulated business grew year over year by $547k or 155%. We expect to continue the growth of the non-regulated line of business for 2015 by completing a fiber ring around Silver City which will allow an expansion of the existing products and services to customers in the CLEC territory. The focus will be on VoIP and Broadband. Currently, there is a 220 VoIP seat backlog of orders with two large government entities in both Silver City and Deming. We continued to make capital investments in the core telephone territory in 2014 as well as 2015 with the goal of meeting the standard of 10/1 as prescribed by the FCC to serve existing Broadband with increased bandwidth and the extension of bandwidth capabilities to areas that are underserved.

In the **Kansas operations (JBN Telephone, Giant Communications, Haviland Telephone),** broadband continues to be a driving element, with approximately 75% of customers subscribing. Broadband revenues from these 5,000+ customers exceed voice-based customer revenues, even while Haviland and Giant's phone line counts are up. Our operations increased internet bandwidth during 2014, due to increased bandwidth use by customers subscribing to Digital Subscriber Line ("DSL"), Cable Modems, Fixed Wireless, and Ethernet-delivered broadband. We anticipate the same happening in 2015. This year, JBN's DSL network will continue remediation of long copper loops in order to deliver faster broadband speeds to customers. Giant's CATV network will move to an all-digital channel line-up to make more room for broadband use in the future as we continue to increase speeds and customers. Our Hosted Voice operation in Wichita continues to expand with 1,661 seats at the end of the year, up 55% from 1,069 at the beginning of the year.

Cal-Ore Telephone continues to develop opportunities to extend and expand our regulated and non-regulated broadband facilities in rural northeast California and southeast Oregon. In 2014 Cal-Ore Telephone (ILEC) completed the greater portion of the Phase I fiber to the premise project. This phase was completed in the first quarter of 2015. Phase II will begin in the summer of 2015 with completion estimated to be in the 3rd quarter of 2016. Cal-Ore Communications (CLEC) continued to extend their fiber to the premise network to their service areas in California and Oregon. In northeast California there have been numerous areas that were considered to be broadband unserved or underserved. The Cal-Ore CLEC converted several of these communities to the "served" category through a combination of FTTP and WiFi service, and plan to provide similar services to several communities south of our existing CLEC territory along the I-5 corridor in 2015.

Michigan Broadband Services deployed the remaining VoIP media gateway equipment making all 19 exchanges VoIP capable. 150 hosted voice seats were added. We installed dual 500Mbps diversely routed Internet access ports along with the redundant switches and routers to vastly increase access capability. Buried fiber optic cable was added in Drummond and Amble exchanges to increase speeds there. The Upper Peninsula exchanges were converted to IP based 911 services. In 2015, we will begin replacement of remote service terminals and installation of 20 miles of buried fiber optic cable to increase capability and performance. We will offer bundled IP voice services to the regulated base and increase access speeds. The Marquette 1.9Ghz PCS frequency will be redeployed using 4G LTE and offered as a service in that market. We plan to open additional sales offices in Marquette and potentially the Detroit Metro Area to market the HostNet™ business class communication systems.

Central Scott Telephone - The Company can deliver "triple play" voice, video and data service throughout its ILEC territory. CS Technologies, Central Scott's non-regulated affiliate, has become a major CLEC in Davenport, Bettendorf, and Dubuque, Iowa generating $2.5 million in revenue in 2014, up from $2.0 million in 2013. 2015 will bring enhanced broadband speeds over 20 Mbps including the introduction of 50 MB and 300 MB offerings. Market expansions include CLEC operations in Moline and Rock Island, IL.

Belmont and Cuba City operations in Wisconsin are now fully integrated with Central Scott. The companies share management, accounting, technical, and customer support resources resulting in improved service as well as cost savings. Additional network synergies and cost savings were realized as Belmont and Cuba City were physically tied to the Iowa markets for expanded Internet capabilities. New marketing campaigns were utilized to leverage these expanded capabilities.

Bretton Woods Telephone Company has completed a fiber to the home (F-T-T-H) project throughout the franchised area. Expanded packages and services are provided to the Mt. Washington Resort area through BWTC and an affiliate company for fiber high speed data, voice, long distance, and video.

LICT CORPORATION
DIRECTORS, OFFICERS, AND OTHER INFORMATION

Board of Directors

Mario J. Gabelli
Chairman & Chief Executive Officer of
LICT Corporation
Chairman, Chief Executive Officer & Chief Investment
Officer of GAMCO Investors, Inc.

Robert E. Dolan
Executive Vice President & Chief Financial Officer
LICT Corporation

Donald H. Hunter
Principal
Donald Hunter LLC

Salvatore Muoio
Managing Member of S. Muoio Co. LLC

Gary L. Sugarman
Private Investor &
Managing Member-Richfield Capital Partners

Officers

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

Evelyn C. Jerden
Senior Vice President-Regulatory Dynamics

John Aoki
Controller

Robert E. Dolan
Executive Vice President
& Chief Financial Officer

Thomas Hearity
Secretary

Stephen J. Moore
Vice President-Finance

Corporate Staff

Carmine Ceraolo
Assistant Controller

Christina McEntee
Executive Assistant

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.lictcorp.com