

LICT CORPORATION

2017
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, LaTaya Boylan, Kay Brady, Ken Carlson, Faylyn Catmull, Virgil Chappell, Brandon Childs, Kirk Christensen, Monte Christensen, 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, Laramy Draper, Gayle Earl, Parker Earl, Clint England, Reina Espinoza, Alisa Faatz, Samuel Fineanganofu, Eric Forbush, Jon Gale, Mary Gavrilu, Angela Hamilton, Megan Hansen, Julie Hansen, Kris Hansen, Les Haskins, David Hatch, Jason Hathaway, Larry Hawkins, Barrett Hilton, Jakob Howcroft, Kristie Ison, Duane Jensen, Jerry Johnson, Richard Johnson, Dan Kendall, Brian Killingbeck, Mark Larsen, George Lee, Eloisa Lemus, Jason Lewellyn, Lynn Litnak, Tammy Mackey, Charley Macy, Arlene May, Eric McConahay, Janet McFarland, Hannah McKnight, Jacob Meyers, Sterling Monk, Zach Naumu, Asaeli Ngauamo, Ann Nielsen, Bawb Nielsen, Julie Nielsen, Todd O'Neal, Ben Olsen, Nathan Palmer, Paul Peckham, Ben Pehrson, Jeff Petersen, Mike Plows, Howard Pope, Pam Rigby, Daniel Roberts, Kenny Roberts, Troy Roberts, Eric Rubio, Alex Rugg, Paul Rymer, Tyrel Sackett, Tyler Schlappi, Calvin Shelley, Eddie Shelley, Freddy Soriano, Jose Soriano, Ryan Stewart, Sione Taufa, Manase Tesi, Shayne Thompson, Taylor Thompson, Mike Traina, Trevyn Tucker, Brad Welch, Keller Wheeler, Mindee Wilberg, Erin Williams

- **Western New Mexico Telephone**- Rudy Arambula, Eugene Armijo, Valerie Barboa, Wayne Baxter, David Beem, Liz Blancett, Matthew Brown, Rylan Carver, Chelsea Chappell, Becky Cooper, Dustin Coslin, Jeromy Curnutt, John Dunne, Matt Favre, Lisa Feigley, John Francis, Elizabeth Gardner, Jackie Gonzales, James Guck, Jonathan Hawkins, Evelyn Jerden, 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, Candice Portillo, Carrie Rice, Stewart Rooks, David Rowell, Sandra Ruiz, Melissa Saenz, Mary Grace Stapp, Bill Stroman, Jane Tibbs, Marci Watson, Kory Webb, Kandra Young

- **JBN Telephone**- William Atwood, Russell Bacon, Kelsey Barnett, David Callison, Jan Charles, Glenn Chiles, Brian Coffman, Janice Comer, Sheri Cothran, Marc Crites, Janet Curtis, Jeremy Dallas, Rita Davis, Greg Dunn, Travis Feltner, Amanda George, Jennifer Godfrey, Todd Huncovsky, Roger Johnson, Diane Kathrens, Lance Lyman, Susan McGhee, Paul Moseley, Jonathan Parker Travis Peek, David Schraer, Judy Sextro, Austin Taylor, Jamika Teel, Wesley White, Christopher York

- **Haviland Telephone**- Jacob Allen, Alex Breising, Vesta Charbonneau, LaDonna Erker, Sabrina Freeman, Mildred Hannan, Daniel King, 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, Audrey Wade, Mark Wade

- **Upper Peninsula- MCBC**- Todd Beauchamp, Katie Corey, Matthew Dale, Stacey Dani, Joey Dombrowski, Blaine Gadda, Bart Hall, Jeffery Johnson, Vicki Kakuk, Gordon Leese, Dirk Macco, 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, Judy Zini

- **Cal-Ore Telephone**- James Anderson, Michael Atkinson, Charles Boening, Jennifer Boening, Danielle Burrow, Lana Clay, 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, Ryen Tonelli, Andrew Ulbricht, Scott Wimp, Waihun Yee

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

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

Financial Highlights

<i>In thousands, except for share amounts</i>			
Calendar Year	2017	2016	2015
Operating Results			
Revenues			
Regulated	\$60,354	\$48,782	\$49,302
Non-Regulated	46,376	41,958	37,378
	106,730	90,740	86,680
EBITDA before corporate expenses (b) and charitable contributions (c)			
Regulated	29,322	17,456	19,200
Non-Regulated	19,874	19,285	17,208
	49,196	36,741	36,408
Depreciation and Amortization	17,880	17,972	17,730
Capital Expenditures	22,351	16,409	18,441
Consolidated Results (a) (c)			
Net Income from continuing operations	\$22,389	\$7,273	\$7,711
Per Share (diluted) (e)	\$726.21	\$338.32	\$353.63
Balance Sheet/Share Data			
Net Debt (d)	\$23,947	\$22,614	\$30,098
Shareholders' Equity	122,239	108,476	103,449
Shares outstanding at year end	20,509	21,282	21,739

See footnotes on Charitable Contributions page

LICT Corporation

(Y)our Family

COMMUNICATION • EDUCATION • ENTERTAINMENT
DATA • TECHNOLOGY • VOICE • VIDEO



Letter from the Chairman and Chief Executive Officer

Dear Partners/Owners,

We are celebrating our 31st 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 shares were purchased from Curtis Wright in 1986.

Your shares closed at \$11,650 at December 31, 2017, up from \$5,950 at the end of 2016.

Our accomplishments over the past 31 years include 7 spin offs and 33 acquisitions. Shareholder values have compounded by 17%; expressed more simply, a \$100,000 investment in 1986 has a value of \$13 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 - we are looking at a significant acquisition, and we are willing to have financial leverage to purchase it if necessary, in a community that we do not currently serve but has a materially large footprint.

Another alternative to accelerate our growth, is to purchase an operating company outside of our current core and which matches your CEO's industrial skill sets.

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 we will ask our directors to repeat it again in 2018.

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 buy back was more aggressive in 2017. We reduced our share count by 773 or 3.6%.

Our projection for 2018 is \$110 million in revenues and EBITDA approaching \$50 million. Lower corporate tax will help our cash flow.

CEO Search-

In our Press Release of March 28, 2018, we announced that I am seeking to change my role as CEO of LICT but continue serve as Executive Chairman. We are undertaking a search for an Executive that has skill sets in the broadband and cable area. Along these lines, we thank Gary Sugarman who is taking a sabbatical from our Board of Directors.

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



Robert E. Dolan
Executive Vice-President
Chief Financial Officer
Joined the team in 1990

Two events occurred in 2017, which are having a profound impact on LICT Corporation's financial results from a short and long-term perspective.

In January 2017, ten of LICT's operating companies began receiving payments under the FCC's Alternative Connect America Cost Model, (A-CAM). On a consolidated basis for full year ended December 31, 2017, LICT received about \$24 million in A-CAM revenues as compared to about \$14 million received for the year ended December 31, 2016.

On December 22, 2017, the United States Congress passed the Tax Cuts and Jobs Act of 2017 ("Act"). Two aspects of this Act significantly impacted LICT: (a) reducing the Federal corporate income tax rate to 21%, from LICT's 35% 2017 rate, (b) 100% expensing of capital expenditures through 2023, after which the expensing percentage phases down. These changes reduced our liability for deferred income taxes at the end of 2017 by \$7.1 million, which added \$338 per share to our net income in 2017. The rate reduction and 100% expensing of capital expenditures will reduce our 2018 tax payments. For example, if our 2017 actual federal tax payment were based on a 21% tax rate and 100% expensing of capital expenditures, it would have been lower by \$5.7 million.

Operating Results

- Revenues were \$106.7 million in 2017 an increase of 17.6% from 2016 due to A-CAM revenues and \$4.4 million increase in non-regulated revenues. We are expecting revenues of \$110 million in 2018.
- EBITDA from Operations was \$49.2 million in 2017 an increase of 33.9% from 2016 also due to A-CAM revenues. We are expecting EBITDA from operations to be \$50 million in 2018.

	Year Ended December 31,		Increase (Decrease)	Percent
	2017	2016		
	(In Thousands)			
<u>Revenues</u>				
Regulated	\$60,354	\$48,782	\$11,572	23.7%
Non-regulated	46,376	41,958	4,418	10.5%
Revenues	<u>\$106,730</u>	<u>\$90,740</u>	<u>\$15,990</u>	<u>17.6%</u>
<u>EBITDA</u>				
Regulated operations	\$29,322	\$17,455	\$11,866	68.0%
Non-regulated operations	17,886	17,335	551	3.2%
Cash distributions from equity affiliates	1,988	1,950	38	1.9%
EBITDA from operations	49,196	36,740	12,456	33.9%
Corporate expense	(3,992)	(3,833)	(159)	(4.1%)
Charitable donations	(1,139)	(1,064)	(75)	(7.0%)
EBITDA	<u>\$44,065</u>	<u>\$31,843</u>	<u>\$12,221</u>	<u>38.4%</u>

During 2017, we invested \$22.4 million in capital expenditures. We are currently expecting total capital expenditures in 2018 to be about the same as 2017.

Net Debt - At year end, our net debt (total debt less cash, cash equivalents, and liquid deposits) was \$23.9 million, or 0.5 times our 2017 EBITDA. This represents an increase of \$1.3 million from the \$22.6 million in net debt at the end of 2016. During 2017, our cash interest expense fell from \$2.5 million to \$2.0 million, a 19% reduction. We expect cash interest expense to fall further, to approximately \$1.6 million, in 2018.

Share Repurchases - During 2017, the company repurchased 808 shares, or 3.7% of our outstanding shares, at an average price of \$11,058 per share for a total of \$8.9 million.

Conclusion - The combination of stable A-CAM revenues, growth in non-regulated customers, and lower tax rates should result in increased cash flow from operations. As such, we are well position to execute a significant refinancing to fund a transforming internal growth initiative and make a sizable acquisition.

Robert E. Dolan

Report of the Chief Operating Officer

Evolving our Broadband Business to Serve our Communities

LICT has balanced its focus between managing the requirements on our regulated business and growing our non-regulated broadband businesses. The release of A-CAM further enables our companies to provide higher speed data services to remote portions of our network. We are confident that we will be able to meet mandates established by federal regulators while expanding beyond our incumbent territories. We increased our broadband customer connections by 4.4% in 2017 adding 1,328 broadband connections. We continue to perform well above industry trends on voice retention.

Leveraging Our Tenure, Reputation, Products and Services

With an average corporate lifespan of over 75 years per affiliate, we have leveraged our reputation to add customers in all our markets. In 2017, we added significant fiber network routes, additional commercial sales people along with new products and services generating new revenue streams enhancing the value of our core broadband offerings. Our local charitable programs further enable us to help our communities prosper.



James DaBramo
Chief Operating Officer
Team member since 2015

Growth Initiatives

We continue to focus on extending our networks into nearby markets using a “smart build” approach while expanding our product portfolio.

- **Broadband** – We successfully expanded our fiber network capabilities by building directly to our customer’s premises or within our networks to shorten copper loops thereby increasing speeds meeting customer demand and A-CAM mandates. We use fixed wireless technologies in areas where deploying fiber or other wireline networks are problematic.
- **1 Gigabit Upgrades** – LICT plans to upgrade all customers to 1 Gbps speeds in New Hampshire this summer. We are performing these upgrades without increasing current pricing. This will serve as the template for our other markets upgrades.
- **Expansion Markets** - LICT has expanded its geographic presence by establishing connectivity services in surrounding markets to our RLEC footprint (s). We currently provide data and voice services to business customers over owned and leased network connections in high growth markets such as the Quad Cities and Dubuque, Iowa; Provo and Orem, Utah; Klamath Falls, Oregon; Silver City and Deming, New Mexico, and Wichita and Topeka, Kansas. We successfully entered 2 markets in 2017; Traverse City, Michigan and Las Cruces, New Mexico. We also completed a 3-mile fiber build in Escanaba, Michigan and will expand further in 2018. Additionally, we are planning to construct fiber networks in Topeka, Kansas and Conway, New Hampshire. We also plan to deploy fixed wireless networks in several new markets in New Mexico: Hurley, Bayard, Santa Clara and Tyrone.
- **Targeted Verticals** – We are focused on expanding our customer base targeting colleges, elementary and secondary schools, hospitals, assisted living facilities, hospitality and expanding municipalities, leveraging the success, we’ve had in our other markets.
- **Cellular Backhaul** – During 2017, we continued to construct fiber to new and existing tower locations, both in region and out-of-region. This permits us to realize revenue gains and offset losses due to landline substitution while penetrating new areas. In addition, LICT owns or maintains 44 towers which generate over \$1/2 million in annual revenue.
- **Products and Services** – Add-on services such as Managed Wi-Fi, SD WAN, Cloud and Premise based Cyber Security and Over the Top (OTT) video are being driven by customer demand and provide increased revenue and margin.

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 15 years of service. Our management strives to create a positive atmosphere and an environment of “customer first” resulting in both customer and employee loyalty. LICT added Matt Favre as President and General Manager to our Western New Mexico Affiliate. Matt has extensive cable and telecommunications experience having spent 14 years as a General Manger for Charter Communications (Spectrum) managing operations in several states in the southeastern US.

Looking Ahead

LICT’s ongoing plans are to make significant investments in its broadband infrastructure and to bring Internet access to residents and businesses in rural America, closing the Digital Divide.

James DaBramo

Report of the Senior Vice President – Regulatory Dynamics



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

2017 was an exceptional year for LICT as we continued to expand our network facilities to provide consumers located in our service territory with faster broadband to enrich their businesses and their personal lives. Broadband connectivity allows equality between geographical locations from the most rural, remote, desolate locations to the urban city dwellers. We are all aware that broadband is essential to enhancing the lives of all Americans for education, medical services, entertainment, personal and business opportunities.

2017 was the first year of the new Alternative-Connect America Cost Model (“A-CAM”) funding mechanism approved by the Federal Communications Commission (“FCC”) for Rural Local Exchange Carriers (“RLECs”). LICT adopted A-CAM in 6 of the states where our RLEC subsidiaries operate. A-CAM provides predictable revenues through 2026 that are considerably greater for LICT than the two federal Universal Service Fund (“USF”) programs which it replaced.

As part of the A-CAM funding mechanism, LICT committed to build broadband at defined data speeds to a set number of eligible locations in sparsely populated portions of our RLECs’ serving areas. This dovetails well with what LICT has been doing for over a decade, which is providing faster broadband to rural America. Therefore, the Company is continuing to plan and build-out broadband to meet both the customers’ demands, as well as the A-CAM broadband build-out requirements, and serve some of the most difficult, and costly portions of this great nation.

The concept of the citizens of our country having affordable telecommunications service began in the days of Roosevelt when a voice call was a luxury. Now, broadband is the critical service that all Americans need and deserve. The principles of universal service have helped make this country great; however, the FCC has a complex set of rules and regulations for compliance and reporting related to service provided by USF mechanisms. LICT works hard to make certain we comply with all the requirements and garner the benefits available to our Company to allow us to provide critical data services to our customers.

2018 has numerous opportunities and the Company is embracing the challenges to provide faster, reasonably priced, broadband to our service territories. Building and operating broadband networks is especially challenging in some of our most rural, high-cost locations and state and federal USF mechanisms are indispensable to provide customers the data speeds crucial for their lives. We are confident that we are well-prepared to successfully meet our customers’ needs and the A-CAM build-out requirements, while providing our shareholders an excellent return.

Evelyn C. Jerden

Review of Operations

Utah

CentraCom had an excellent year again in 2017 due mainly 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 in the rural areas of Utah. In 2017, it began installation of a core network upgrade using Cisco Routers. This project will greatly increase the reliability and stability of the network, while adding additional capacity that is needed to sustain the forecasted growth. The Company also continues to aggressively expand its 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 CLEC Enterprise customer sales goals. The Company now has over 1,300 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.



Edward L. Cox (l)-President
I. Branch Cox -Chief Executive Officer
Team members since 1970

CentraCom completed a new data center in 2017 and is ready to add data-center services to their portfolio for business customers in the metropolitan areas of Utah and nationally.

The number of high-speed internet customers again increased substantially. During 2017 CentraCom completed a digital conversion of its CATV video system, allowing an increase in bandwidth for its cable modem Internet customers. The addition of 1,470 net cable modem customers representing a 16.8% growth in 2017, brought our total high-speed internet customers to over 12,700. CentraCom developed a fixed wireless high-speed internet capability in 2017 to increase access to remote rural areas. During the year, CentraCom experienced an increase of nearly 200 new wireless Internet customers.

In 2018, fiber facilities are planned to add several new subdivisions for a new residential Fiber-To-The-Home service rollout. The company continues to complete new interconnection arrangements with other carriers which have opened the door for CentraCom to provide services to numerous enterprise customers not previously reached by the network. CentraCom is looking forward to continued growth in our non-regulated operations in 2018.

Branch Cox
Eddie Cox

New Mexico



Matthew Favre
General Manager
Team member since 2017

Western New Mexico Telephone Company serves approximately 15,000 square miles of Southern New Mexico. The square miles footprint is larger than such states as Maryland or Massachusetts. The miles of plant total over 4,100 miles of plant of which includes over 700 miles of fiber optic cable. In 2017 approximately 20 miles of fiber optics and electronics were installed to expand the operations.

The team continues to grow its broadband facilities through the use of fiber optics facilities and the implementation of 5G wireless for last mile and multi-point platforms to enhance our service footprint. Along with the annual growth in carrier backhaul and expansion of non-regulated service footprint, the operation continues to extend its presence in the marketplace.

Regulated Revenues grew by 36% due to ACAM which has allowed our regulated market to support increase broadband speeds, business connectivity and carrier transport. Regulated EBITDA grew by 73.5% through enhanced operational efficiencies and improved margins moving to 64%. Non-Regulated Revenue grew by approximately 10% with an increase of 20% in Out of Regulated Territory activity. Non-Regulated EBITDA grew by over 15% with the continued efforts to effectively deliver cost effect solutions for service delivery even while absorbing the expense to expand operations. The efforts to expand into new areas such as Deming, Las Cruces, Santa Clara and Hurley, NM with increased fiber and wireless point to multipoint facilities will continue to increase revenue opportunities for 2018.

We consistently analyze other commercial solutions for our business customers such as the inclusion of new products such as SD-WAN, Failover and Redundancy services, Last-Mile solutions, Wireless/WIFI Management and other products to support our commercial product profile. The Company continues to drive on our targeted verticals such as healthcare, banking, educational and municipal opportunities.

We continue to 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 2018.

Matt Favre

Michigan

In 2017, Michigan Broadband Services 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 our A-CAM build strategy by offering 25Mbps and 10Mbps services to previously underserved homes and businesses in the Upper Peninsula of Michigan.

Two new fiber optic networks were built in both Traverse City and Escanaba, Michigan. In Traverse City, MBS competitively overbuilt fiber optic service into The Village at Grand Traverse Commons. This premier real estate location, that includes both commercial and residential tenants, provides MBS with on network new sales opportunities maximizing our capital investment. In addition to early business and residential customer adoption, the property has tremendous upside in future development including a new thirty-unit condominium project that MBS will offer 1Gbps fiber connections, video and voice services. MBS also extended its on-net fiber network into a business park, winning multiple commercial opportunities along the route.

MBS launched our city-wide fiber optic overbuild of the City of Escanaba. Located twenty-two miles from our Upper Peninsula Carney operation in Escanaba is the third largest city in the UP. The total fiber overbuild will include over ten miles of aerial and underground fiber construction. Michigan Broadband is offering up to 1Gbps x 1Gbps fiber optic broadband connections, managed firewall solutions and voice services to commercial businesses along the new fiber optic route.

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 A-CAM project. These deployments have allowed MBS to keep up with the ever-increasing demand required by our valuable customers.

In 2017, a new sales culture was embraced by all of our teammates and the results were significant. While adding new residential and commercial broadband customers, the Company's customer service center focused on proactively upgrading existing customers to higher speed / higher revenue broadband services. Our 2017 results include upgrading 15% 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 2017 and is looking forward to measurable growth in 2018.



Bruce Moore
General Manager
Team member since 2016

Bruce Moore

California and Oregon



Edward Ormsbee
General Manager
Team member since 1985

Cal-Ore Telephone Company, (COT) provides broadband and voice services in rural southern Oregon and northern California. COT is a regulated Incumbent Local Exchange Carrier (ILEC) providing voice and broadband services along the Oregon border in NE Siskiyou County, California and NW Modoc County, California. (COM) is a Competitive Local Exchange Carrier (CLEC) providing 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, WiFi, DSL, and point-to-point radio. Cal-Ore has a highly skilled workforce with decades of specific experience in building communications facilities in this high cost rural area.

With regard to the broadband service in the COM California territory, within these communities there still exists many areas that are “Un-Served, Under-Served 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 2017 COM was providing full-service communication and data services to Lake Shastina as well as neighboring communities over fiber, copper and wireless. COM had begun to add VDSL services utilizing a Service Area Interface provided by AT&T, substantially reducing construction costs. Using bonded loops COM can reach speeds up to 100 Mbps downstream and 20 Mbps upstream over the VDSL network.

In 2018 COM will continue to expand into other California markets including 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 A-CAM compliance. A substantial Cal-Ore revenue source comes from miscellaneous items such as wireless backhaul, tower rent and fiber leases which were \$1.6 million in 2017. Wireless backhaul accounted for \$1.1 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 ILEC’S, has always received strong support from both parties. Cal-Ore received just over \$1 million from this fund in 2017 and should receive \$1.5 million in 2018.

Building personal and business relationships within our communities are critical and employees live with the people they serve. Cal-Ore is anxiously 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 Dorris Lions Club, Tulelake Rotary Club and the Klamath Falls Chamber of Commerce.

Edward Ormsbee

Kansas

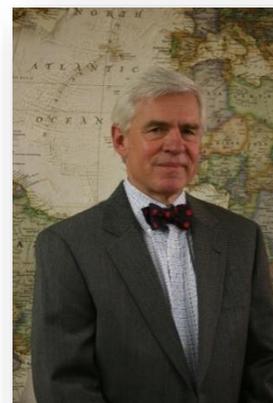
The Kansas LICT companies include the 2 ILEC's, J.B.N. and Haviland Telephone, which provide traditional broadband, voice, and ancillary services, in 27 small towns. Giant Communications, Inc., our Kansas non-regulated services company, provides traditional CLEC, CATV, and broadband services in Holton and 9 other towns in northeast Kansas. Primarily residential in these areas, Giant 1,100 CATV customers, and approximately 1,500 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 DSL subscribers, and Haviland's 2,100 DSL subscribers.

Giant has developed a substantial CLEC service offering in Wichita and Topeka, KS, leveraging an existing soft switch, billing platform and IP connectivity. These 123 business subscribers are currently operated off our network via wholesale facility leases, generally bundled with broadband. These subscribers constitute about 1,600

phone seats. Because this service approach is well-suited to multiple-location businesses, an additional 26 subscribers include over 500 seats outside Wichita or Topeka. In addition, the service has expanded from Giant's existing fiber network to include 35 business subscribers, and 807 seats, for a total of 184 subscribers and about 3,000 seats. In 2017, Giant located communication equipment in the major Topeka switching center, to reduce the cost of wholesale access. During 2018, Giant will expand its fiber network in Topeka by leveraging existing fiber assets, including those of Kansas Fiber Network, of which Giant holds about 4% ownership. Giant is also aggressively acquiring new fiber customers adjacent to its Jefferson and Jackson County area. In 2017, a fiber build was completed to a Native American tribal casino. In 2018, Giant will complete fiber builds to three rural school districts and to select residential areas with a high concentration of subscribers who are hard to serve with our wireless product.

J.B.N., the ILEC in north Kansas, continues its quest to shorten rural copper loops to provide faster DSL service, and to remain competitive in our broadband offerings. Some 170 locations will be rehabilitated this year. Haviland, the ILEC in southern Kansas, will complete deployment of faster DSL service to subscribers in all 12 of its ILEC areas, touching about 60% of locations with faster speeds, while maximizing existing copper assets. Haviland and Giant both retail fixed wireless broadband outside their primary service areas. Both areas will provide some system augmentation in 2018 to provide either faster speeds or congestion relief.

The Kansas operations have strong history of community engagement. This is in no small part due to the originating families' commitment to their communities. The Kansas companies sponsor local school and community events and sponsor local annual scholarship programs for customers and their dependents. Kansas companies take seriously the vital role that reliable, high speed Internet access plays in the success of the communities we serve. Investment in our networks to maintain the speeds demanded by our subscribers is the most significant contribution we can make to our rural communities.



Mark Wade
General Manager
Team member since 1990

Mark Wade

Iowa / Wisconsin

Today's CS Technologies looks significantly different than our Iowa and Wisconsin entities did 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 often resulting in a near dollar for dollar drop in EBITDA. To offset, we have grown non-Regulated revenues and EBITDA so that combined Iowa and Wisconsin EBITDA have grown.

For 2017, our combined Iowa and Wisconsin revenues topped \$12.2 million producing EBITDA that exceeded \$4.3 million; a margin improvement over 2016. As we enter 2018 the combined Iowa and Wisconsin CS Technologies represents a larger piece of the LICT revenue pie than at any time in our past. Our growth is expected to continue organically and potentially through additional acquisitions. Given the right opportunity, operational metrics and timing we are ready to execute on our next meaningful acquisition.

Iowa



Donn Wilmott
General Manager
Team member since 2010

2017 brought the first full year impact of A-CAM and BLS; a reduction in regulated revenues that we accepted, in exchange for a higher level of stability. 2017 also produced the second full year positive impact of a small rural telco acquisition. Local and contiguous, the Dixon Telephone Company's operations were successfully consolidated under Central Scott Telephone.

Our CS Technologies CLEC operations in 2018 and beyond will continue to leverage the capital investments made in the Quad Cities and Dubuque, Iowa markets. Thirty percent of our 2017 revenues came from our CLEC operation, a growing aspect of our overall success. Recent fiber investments in Dubuque, IA and a commitment to reinforce 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.

Wisconsin

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 our competitor models of low cost with low service would cause us to lose the most important differentiation we offer. We continue to provide the "best" service at a price where our customers still see value.



Deb Egli
General Manager
Team member since 1988

Donn Wilmott

Deb Egli

We have much to gain by committing to FTTH everywhere in time. How do we protect what we have built while doubling or tripling our current speed? One way is a complete FTTH commitment.

In that vein, we made a commitment to FTTH in Cuba City, Wisconsin. This has created a victory for us. A 2018 Cuba City with FTTH and Belmont with higher Internet speeds 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. Year-end 2017 ARPU growth exceeded \$2 following the completion of this 884-home project in June of 2017.

New Hampshire

Headquartered in Bretton Woods, New Hampshire, Bretton Woods Telephone Company (BWTC) and World Surfer (WS) provide fiber-optic data, Internet and cloud-based services to customers, small and large throughout our service area.

Our robust suite of advanced telecommunications services is available to all subscribers featuring comprehensive high bandwidth connectivity solutions.

BWTC will be the first 100%gigabit-enabled community for LICT Corporation. Our fiber-to-the-premise deployment, along with our gigabit service rollout demonstrates our commitment to the community. We are committed to investing in our technology infrastructure and advanced services capabilities in support of a wide variety of new consumer and business offerings



Art Nicholson
General Manager
Team member since 1988

Plans for 2018 also include constructing a fiber line to the summit of Mt. Washington, NH which will bring high-speed connectivity to several summit buildings, governmental facilities, safety organizations and tourists.

There is exciting news as we continue to focus on the non-regulated side of the business in 2018. Our plans include an upgrade of our fiber network from a traditional GPON network to an EPON network in order to deliver gigabit Internet service to residential or business customers anywhere in our footprint and adds to the list of high-speed Internet and Ethernet network options already available to customers.

In 2017, BWTC and WS expanded services into Conway, NH with new cloud-based services as well as data services. We also continued expansion into Littleton, NH to business customers with our video resale deployment

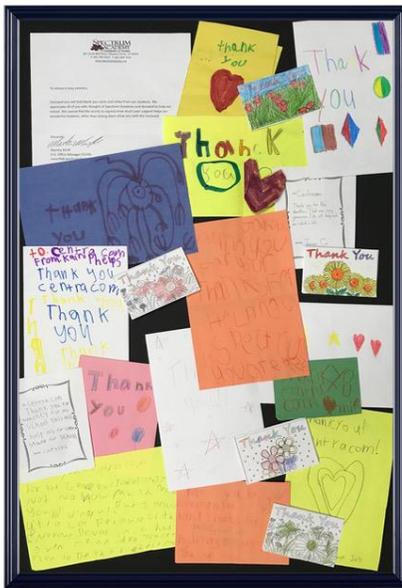
BWTC and World Surfer made generous donations to 501(c)3 charitable organizations located in the communities that we serve. The organizations are selected through an employee voting process and we are proud to make these contributions on behalf of our employees. Among the organizations we contributed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

Art Nicholson

The following charities were beneficiaries of LICT's 2017 Shareholder and Teammate Charitable Contributions Programs

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

ACTS Legacy Foundation ♦ AIDS Response Seacoast ♦ Aish Hatorah- Metro Philadelphia ♦ All Yonkers Youth Athletics ♦ Alzheimers Association of Utah ♦ AM Shalom ♦ American Cancer Society ♦ American Diabetes Association ♦ American Foundation for Suicide Prevention ♦ American Red Cross ♦ Angel's Wish ♦ Anxiety and Depression Organization of America ♦ Backcountry Hunters and Anglers ♦ Barclay College ♦ Bear Lake Watch ♦ Benefit for the Basin ♦ Best Friend Animal Society ♦ Big Brothers Big Sisters Mississippi Valley ♦ Boy Scouts of America ♦ Butte Valley Montessori Children's House ♦ Camp Good Days and Special Times ♦ Catholic Legal Immigration Network ♦ Center for Auto Safety ♦ Central Utah Food Sharing ♦ Children Unlimited ♦ Chives Charity ♦ Christian Homes ♦ Citizens for Safe Schools ♦ College Bound Opportunities ♦ Columbus Citizens Foundation High School Scholarship ♦ Cowboys for Cancer ♦ Crispus Attucks Association of York ♦ Crohns & Colitis Foundation ♦ Cuba City United Methodist Church ♦ Cystic Fibrosis Foundation, Utah Chapter ♦ Depression and Bi Polar Support Alliance ♦ Discover Klamath Visitors Center ♦ Dubuque Humane Society ♦ Easter Seals ♦ El Refugio ♦ Elks Disaster Relief Program ♦ Empower Playgrounds, Inc. ♦ Eva's Village ♦ Fairview Museum ♦ Family



A framed collection of Thank You cards, from the children of Spectrum Academy, hangs in our Fairview, Utah offices.

Christian Inspiration, Inc. ♦ Feed the Children ♦ Foundation for Human Understanding ♦ Gila Baptist Church ♦ Gila Regional Medical Center Foundation ♦ Goddard Riverside Community Center ♦ Great Valley Presbyterian Church ♦ Hand in Hand Outdoors ♦ Hebrew Institute of White Plains ♦ High Desert Humane Society ♦ Holy Name Catholic Church ♦ Humane Society of Utah ♦ International Rescue Committee ♦ Jack Miller Center ♦ Jackson County Fair Association ♦ Jewish Association for Residential Care ♦ Jewish Communal Fund ♦ Klamath Falls Gospel Mission ♦ Klamath Hospice ♦ Klamath Lake Counties Food Bank ♦ Klamath Animal Hospital ♦ Lake Lundgren Bible Camp ♦ Leukemia and Lymphoma Society ♦ Littleton Regional Healthcare ♦ Los Angeles Regional Food Bank ♦ Loyola Jesuit Center ♦ Lupus Foundation ♦ March of Dimes ♦ Menominee Animal Shelter ♦ Menominee County 4-H Foundation ♦ MeWater Foundation ♦ Michael's Place ♦ Michigan United Conservations Club ♦ Military Veteran Project ♦ Mills-Peninsula Hospital Foundation ♦ Muhlenberg College ♦ My Face ♦ National Immigration Law Center ♦ National Multiple Sclerosis Society ♦ New Horizon Christian Fellowship ♦ New Horizon Christian Fellowship ♦ Northern Michigan Children's Assessment ♦ North Scott Food Pantry ♦ North Scott Rotary ♦ North Suburban Synagogue Beth ♦ El Refugio ♦ Operation Smile ♦ Pets

and Pals Animal Shelter ♦ Planned Parenthood ♦ Point O Woods Community Fund ♦ Quad City Paws ♦ Rainbow House Domestic Abuse Services ♦ Ringling College of Art and Design ♦ River Bend Food Reservoir ♦ Ronald McDonald House Charities ♦ Rush University Medical Center ♦ Saint Augustine University Parish ♦ Saints Philip and James Parish ♦ Saint Peter of Alcantara Roman Catholic Church ♦ Samaritan's Purse ♦ San Diego Opera ♦ Sanpete Pantry ♦ Services for the Underserved ♦ Shining Schools ♦ Shriners Hospital for Children ♦ Silver City Gospel Mission ♦ Silver City Rotary Foundation ♦ Silver Regional Sexual Assault Support ♦ Spectrum Academy ♦ St. Jude Children's Research Hospital ♦ Straighter Way Foundation ♦ Tango for All ♦ Taste Wise Kids ♦ Temple Judea ♦ The Child Center ♦ The Floating Hospital ♦ The Green Beret Foundation ♦ The Match Foundation, Inc. ♦ The Strawberry Banke Museum ♦ Topaz Museum ♦ Triad School ♦ Trinity Church ♦ Trinity Presbyterian Church ♦ Trout Unlimited ♦ UCSF, Endocrine Surgical Oncology Fund ♦ Unified School District 336 Education Foundation ♦ Utah Cancer Foundation ♦ Utah Domestic Violence Coalition ♦ Utah FNAWS ♦ Utah Food Bank ♦ Warriors Ascent ♦ Watchtower Bible & Tract Society ♦ Whittier College ♦ Wilson College ♦ Young Israel of New Rochelle ♦ Young Life-Tucson Metro ♦ Zacharias Sexual Abuse Center



Gila Regional Medical Center was a benefactor of Western New Mexico Telephone Company's designation

Footnotes from Financial Highlights:

- (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, 2015 has 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 of \$24.2 million, \$11.9 million and \$13.4 million, for 2017, 2016, and 2015, respectively. Corporate expenses for the same respective years were \$4.0 million, \$3.8 million and \$2.9 million.
- (c) In 2017 and 2016, Net Income and Net Income per Share was reduced by a shareholders/teammate charitable contribution program of \$0.7 million for both years, or \$35 per share in 2017 and \$31 per share in 2016, after tax effects.
- (d) For 2016, 2015 and 2014, net debt is pro-forma and includes cash deposited with the FCC for the purpose of participating in spectrum auctions. Such deposits were returned in the subsequent year.
- (e) 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.

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

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