

LICT CORPORATION

June 2010

To our shareholders,

LICT Corporation was born on September 1, 1999, under the name of Lynch Interactive Corporation. We were spun-off from Lynch Corporation, which is now LGL Group Inc. Over the last ten years, we have made seven acquisitions, done a stock split and a reverse stock split, “gone dark”, reconstituted our Board of Directors, spun-off four companies (including the 2010 spin-off of the North Dakota companies), and begun the migration of our company from a traditional telephony based technology to one based on IP technology-- but, at our core, we remain a service provider to rural America.

In 1999, our multimedia segment (we also had a transportation service segment in 1999 which generated revenues but little profit and was spun-off in 2003) had revenues of \$59.0 million as compared to \$98.8 million for 2009. Multimedia EBITDA grew from \$31.4 million in 1999 to \$44.6 million in 2009.

Our operations in 1999 were heavily dependent on traditional, regulated, land line telephony. Since then we have worked hard to broaden our base into non-regulated revenue streams. We have had some success, but have a long way to go with many opportunities up ahead. It is much more likely that LICT will experience more significant changes over the next ten years than in our first ten. We very much look forward to this challenge.

Competitive, economic, and regulatory pressures continued to unfold in the telecommunications world. Despite these challenges, our operating results in 2009 about matched 2008, with revenues of \$98.8 million versus \$100.8 million and EBITDA of \$41.4 million versus \$41.3 million. We have been working on and will continue to make the adaptations necessary to position the company for success in the future. We are continuing to increase our broadband penetration, made a couple of complementary acquisitions, undertook cost cutting initiatives, established two more CLECs, and added to our subsidiary management team. Also we reduced our net debt by \$17 million, from \$126 million to \$110 million.

Operations – The provision of traditional, regulated, land line voice service as a core offering is progressively being marginalized as a business model by technological and commercial developments in the telecommunications arena. Indeed, nationally total minutes of use provided by incumbent carriers fell from 567 billion in 2000 to 316 billion in 2008, a 56% decline. The usage of the traditional public switch network (“PSN”), which was the backbone of communications in the United States for over 100 years, is significantly eroding. It now seems possible, if not likely, that a full migration and transformation of the PSN to an IP network will occur over the coming decade. We are putting in place the resources necessary to be a significant player in that migration.

Two of our key strategic objectives are to increase our high speed broadband penetration and to expand the geographic reach of our service offerings by establishing CLECs in adjoining areas. During 2009, we established two additional CLECs in Dubuque, Iowa and Silver City, New Mexico. Initiatives such as these, along with expansion of the services offered by our regulated telephone companies, are rapidly becoming essential to LICT’s ongoing success. We are expanding our broadband reach (in terms of numbers of subscribers to whom we can provide service), improve quality of service (in terms of higher speeds), offer a broader array of services (for example, video) and increase penetration in our CLEC markets. These are our top priorities and we are determined to achieve success in their implementation.

Operating Results - The below are our 2009 Revenues and EBITDA, as reported and pro forma for the spin-off of the North Dakota operations – see below, in thousands:

	2008	2009	Increase (Decrease)	Percent Increase (Decrease)
<u>Total Company</u>				
Revenues	\$100,778	\$98,761	(\$2,017)	(2.0%)
EBITDA from Operations	45,401	44,609	(792)	(1.7%)
Corporate Costs	(4,128)	(3,210)	(918)	(22.2%)
EBITDA	\$41,273	\$41,399	\$126	0.3%
<u>Excluding North Dakota Operations</u>				
Revenues	\$96,413	\$94,536	(\$1,877)	(1.9%)
EBITDA from Operations	43,375	42,778	(597)	(1.4%)
Corporate Costs	(4,128)	(3,210)	(918)	(22.2%)
EBITDA	\$39,247	\$39,568	\$321	0.8%

EBITDA from our operating subsidiaries, excluding North Dakota, declined by \$0.6 million. This is despite a \$1.9 million drop in revenues, reflecting lower regulated costs of \$2.7 million, in a largely fixed cost business. Corporate overhead declined to \$3.2 million in 2009 from \$4.1 million in 2008. Further reductions in our cost model are imperative and are currently underway. At this time, we expect our 2010 Results from Operations to mirror our 2009 results, excluding North Dakota.

North Dakota Operations – LICT had two subsidiaries operating in North Dakota, Inter-Community Telephone Company, LLC (“ICTC”), a regulated phone company, and Valley Communications, Inc., a CLEC. In 2010, we completed the merger with the public shell, Sunshine PCS Corporation, and spun-off those shares to our shareholders as of May 24, 2010.

As with the spin-off of CIBL Inc., which was completed in 2007, the North Dakota spin-off is a means to both enhance the value of those operations on a stand alone basis, and to refine LICT’s focus on its remaining properties.

Operating Statistics - As discussed in last year’s Annual Report, one of our goals for 2009 was to achieve an overall DSL penetration of over 50%. We are pleased to announce that our December 31, 2009, DSL penetration was 51%, increasing 16.4% over the prior year. On the other hand, during 2009 our voice lines decreased by 3.8%, as the company continue to feel the effect of wireless and CATV competition. Note: this data has been adjusted for the distribution of our North Dakota operations in 2010.

	December 31, 2008	Increase 2009	Increase (Decrease)	Percent Increase (Decrease)
<u>Voice Lines</u>				
Access Lines	43,853	41,688	(2,165)	(4.9%)
CLEC Lines	5,263	5,579	316	6.0%
Total	49,116	51,387	(1,849)	(3.8%)
<u>Broadband Lines</u>				
DSL Lines	14,603	16,707	2,104	14.4%
High-speed CATV	1,855	2,452	597	32.2%
Total	16,458	19,159	2,701	16.4%
ISP Subscribers	21,340	23,750	2,410	11.3%
LD Resale Lines	21,360	22,707	1,347	6.3%
Video Subscribers	4,473	5,956	1,483	33.2%

The spin-off CIBL Inc. included a 1,800 subscriber Kansas CATV operation, Giant Communications L.L.C. At the time, we believed it made more economic sense for Giant to function on a stand-alone basis. But as time passed and JBN, one of our Kansas RLEC operations, and Giant both moved toward more IP based technologies, it became mutually advantageous for us and CIBL to have us re-acquire Giant and put them together. Accordingly, in May 2010, LICT, through a subsidiary, reacquired Giant for \$2.1 million. Also in May 2010, Cal-Ore Telephone Company acquired over 1,000 CLEC customers in Klamath Falls, Oregon which is the base of Cal-Ore's CLEC focus. This acquisition, which will close in 2010, provides Cal-Ore with a solid foundation to grow in this market. In February 2009, CentraCom acquired five CATV systems in Nevada with about 1,500 subscribers. Over the last several years, CentraCom has made several acquisitions of somewhat antiquated CATV systems in communities where it does not provide telephone service and has efficiently upgraded these systems for the provision of state-of-the-art services, thereby expanding their geographic reach and the breadth of the non-regulated services. We will continue to aggressively seek out these complementary acquisitions.

Management – We recently strengthened the management at two of our operations. Dom Bianco became General Manager of our operations in Western New Mexico. With 15,000 square miles is its service territory, Western New Mexico Telephone Company is challenged to allow its customers to participate in the expanding broadband world. Despite this task, Dom's mandate is also to grow the company's non-regulated business by establishing CLECs in Silver City, Deming and beyond. We believe that Dom, with the continued support of the Keen family who remain actively involved in the company, is up to these challenges.

In 2010, Donn Wilmott became General Manager of our Central Scott Telephone operation, which provides regulated telephone service to Eldridge, Iowa and non-regulated services to the adjacent Quad Cities Area which includes Davenport and Bettendorf, Iowa and Rock Island and Moline, Illinois. Our proximity to this area of over 400,000 people makes it one of our most promising growth opportunities. Donn's many years of experience with Time Warner put him in good stead to harvest this opportunity.

Asset Rationalization – We continued to explore opportunities to obtain liquidity from some of our noncore assets; however, during 2009, none of the potential opportunities met our value expectations.

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 refine our efforts to focus on our best growth opportunities.

Share Repurchases - During 2009, the company repurchased 308 shares, or 1.25% of our outstanding shares, at an average price of \$2,698 per share. Subject to regulatory, bank covenant, and liquidity constraints, the Company will continue to reacquire its shares.

Debt Structuring – LICT continues to proactively decrease our leverage. At December 31, 2009, the Company had \$132 million of total debt, which is a reduction of \$24 million from \$156 million of total debt at the end of 2008. At December 31, 2009, our net debt (debt less cash) of \$110 million to EBITDA was a manageable 2.7x based on trailing consolidated EBITDA. During 2009, our interest expense fell from \$11 million to \$8 million, driven by both debt reduction and lower interest rates.

LICT's debt structure currently consists of a maze of loans from federally-backed institutions and commercial banks, along with subordinated notes from sellers as part of our acquisitions. While this structure minimizes our interest expense, it is costly in terms of maintenance of facilities and restrictions on movement of cash within LICT, as well as inflexible in terms of cost restructuring, mergers and acquisitions and implementing shareholder initiatives. As such, we are considering a significant refinancing initiative which will enhance our ability to take the operational steps necessary to improve the organization. The company is currently weighing its options in this regard and the implementation of this refinancing will be predicated on our ability to obtain terms that are acceptable to LICT.

In Closing – The corporate management team owes a great deal of appreciation and thanks to our local teammates. Their hard work and their determination to provide the best service possible to their communities are what really drive this company. Their skills and dedication make us confident that we can effectively respond to the technological, regulatory, competitive and economic challenges we face.

Our website: www.lictcorp.com contains current information about the company, including financials, press releases, key documents and links to subsidiary sites. This is the first place we post information, and it is the most complete source of LICT data.

We also want to thank you, our shareholders, for your continued support.

Robert E. Dolan
Chief Executive Officer (Interim) and
Chief Financial Officer