

MANAGEMENT'S DISCUSSION OF OPERATIONS

This discussion should be read together with the Consolidated Financial Statements of LICT Corporation and the notes thereto.

RESULTS OF OPERATIONS

Overview

LICT's telecommunications operations consist of fifteen RLECs, located in California, Iowa, Kansas, Michigan, New Hampshire, New Mexico, New York, North Dakota, Oregon, Utah and Wisconsin. The RLECs operations range in size from approximately 800 to 7,500 access lines and in addition to telephone service, offer additional services such as Internet service, cable TV service, alarm services, long distance service and competitive local exchange carrier ("CLEC") service.

On March 31, 2010, Sunshine PCS Corporation ("Sunshine") acquired all of the interests of the Company's North Dakota operations (Sunshine Acquisition"). As consideration, Sunshine issued shares of its Class A common stock reflecting approximately 99% of its outstanding stock, to a subsidiary of the Company. On May 28, 2010, LICT distributed shares of Sunshine (and cash in lieu of fractional shares at the rate of \$50 per share) to its shareholders, spinning off the North Dakota operations to them.

The telecommunications industry in general and the RLECs that comprise LICT's business face a number of economic or industry-wide issues and challenges.

- Regulatory- The Telecommunications Act of 1996 and other federal and state legislation and regulations have a significant impact on the industry and on rural carriers in particular. LICT's telephone companies are all RLECs serving very high cost areas with a significant portion of their revenues being derived from federal or state support mechanisms, which are referred to as Universal Service Funds ("USF"). The revenues and margins of our RLEC subsidiaries are largely dependent on the continuation and level of such support mechanisms.
- Competition- The effects of competition from other telecommunications providers including cable television companies, CLECs, internet, wireless service, and Voice over Internet Protocol ("VoIP") is an industry-wide issue that is felt to varying degrees by our RLECs.
- The economy- Unemployment, building starts, business bankruptcies and the overall health of the economy have a significant effect on demand for our services.
- Market challenges- Our RLECs are required to comply with industry-wide initiatives such as local number portability and the requirements of the Communications Assistance for Law Enforcement Act ("CALEA") that are expensive to implement and that in some cases have limited demand in our markets.

LICT generates cash and earns telecommunications revenues primarily from local network access, intrastate and interstate access revenue and from state and federal USF support mechanisms. The Company's regulated telephone operations, revenues and operating expenses, although relatively stable period to period, are subject to increasing competitive pressures, which gradually reduce revenue and profitability.

- Local Revenues - The number of access lines is the primary driver of local network access revenues. In addition, the ratio of business to residential lines, as well as the number of features subscribed to by customers, are secondary drivers.

- Intrastate access revenues - Customer usage, primarily based on minutes of use, and the number of access lines are the primary drivers of intrastate access revenues since the Company's RLECs are on a "bill-and-keep" basis.
- Interstate Access Revenues - All of our RLECs participate in both the common line and traffic-sensitive National Exchange Carrier Association ("NECA") access pools. Interstate access revenues depend upon whether the RLEC has elected to be "cost-based" or has remained an "average schedule" carrier. The revenues of our ten cost-based carriers directly correlate to the rate-of-return on regulated net investment earned by the NECA access pools plus the interstate portion of regulated operating expenses including taxes. The revenues of the Company's five average schedule subsidiaries are derived based on national formulas with usage based measurements such as access lines, interstate minutes-of-use, and the number and mileage of different types of circuits. The average schedule formulas are intended to be a proxy for cost-based recovery.
- USF subsidies - The primary drivers of USF subsidies are investments in specific types of infrastructure, as well as certain operating expenses and taxes of the Company. Interstate and intrastate USF subsidies are included in the respective interstate and intrastate access revenue captions in the breakdown of revenue and operating expenses which follows.
- Other business revenue - LICT's companies also provide non-regulated telecommunications related services, including Internet access service, wireless and long distance resale service, in certain of its telephone service and adjacent areas. LICT also provides and intends to provide more local telephone and other telecommunications service outside certain of its incumbent local exchange carrier ("ILEC") areas by establishing CLEC or high speed data operations in selected nearby areas. In addition, certain of LICT's companies have expanded into cable and security businesses in the areas in which they operate.
- Long Distance revenues are only retained by the Company if it is providing the long distance service to the end user customer as the toll provider. For unaffiliated IXCs who contract with LICT for billing services, the Company provides billing services and receives an administrative handling fee.

The following are material opportunities, challenges and risks that LICT's executives are currently focused on, as well as actions that are being taken to address the concerns:

- Universal Service Reform - No significant reform of USF transpired for RLECs in 2008 or 2009. In 2009, the FCC was focusing its efforts on the National Broadband Plan ("NBP") as required by the American Recovery and Reinvestment Act. On March 17, 2010, the FCC delivered the NBP to Congress setting the roadmap for achieving universal broadband by 2020. The plan recommends a comprehensive reform of the current universal service mechanisms to support the deployment of broadband including ensuring that low-income Americans can afford broadband. On April 21, 2010, the FCC released a Notice of Inquiry ("NOI") and a Notice of Proposed Rulemaking ("NPRM") initiating USF reform as outlined in the NBP. The Company participates with the RLEC industry in comments to the FCC regarding the potential impact on customers and RLECs from changes in USF support mechanisms. Total USF support payments comprise a substantial percentage of the Company's revenues.
- Intercarrier Compensation and Access Charge Reform - No intercarrier compensation reform was enacted by the FCC in 2008 or 2009. In addition to USF reform, the NBP recommends comprehensive intercarrier compensation reform by reducing per minute charges over a transitional period of time. The NBP includes possible options to allow carriers time to

adjust and recover lost access charge revenue from other sources. The future NOI and NPRM process will determine how intercarrier compensation reform is effectuated. The Company will participate with the RLEC industry in comments to the FCC regarding the potential impact on customers and RLECs from changes in intercarrier compensation which comprises a substantial percentage of the Company's revenues.

- Loss of Access Revenues from VoIP and wireless usage - The Company is experiencing revenue losses as usage transfers from landline service provided by the Company's subsidiaries to either VoIP or wireless services. VoIP traffic currently does not pay access charges or contribute to universal service. The FCC has several proceedings underway to determine whether VoIP traffic should pay access charges and contribute to USF. The Company is participating in the RLEC industry efforts to have VoIP traffic contribute for use of the underlying network on which the VoIP call travels. To offset revenue losses from traditional voice services, LICT is installing more broadband services and is exploring how to best incorporate VoIP into its business model.

Year 2009 compared to 2008

The following is a breakdown of revenues and operating costs and expenses (in thousands):

	2009	2008	Increase (Decrease)
Revenues:			
Local access	\$ 12,970	\$ 13,254	\$ (284)
Interstate access	43,824	45,751	(1,927)
Intrastate access	12,552	14,267	(1,715)
Other business	29,415	27,506	1,909
Total	98,761	100,778	(2,017)
Operating Cost and Expense:			
Cost of revenue, excluding depreciation	39,245	38,050	1,195
General and administrative costs at operations	14,907	17,327	(2,420)
Corporate office expenses	3,210	4,128	(918)
Depreciation and amortization	20,439	22,280	(1,841)
Total	77,801	81,785	(3,984)
Operating profit (loss)	\$ 20,960	\$ 18,993	\$ 1,967

Total revenues in 2009 decreased \$2.0 million, or 2.0%, to \$98.8 million compared to \$100.8 million in 2008. Local access revenue decreased \$0.3 million resulting from a 4.8% decrease in voice lines offset by the sale of additional services and features. Interstate access revenue decreased \$1.9 million in 2009 primarily due to a reduction of minutes of use in the 2009 period and reduced USF funding due to a lower rate base at several of our operations, partially offset by an increase of \$0.5 million of Interstate out-of-period adjustment revenue in the 2009 period. Intrastate network access revenue decreased \$1.7 million due to a reduction of minutes of use at several of our companies and an unfavorable state commission ruling for our California operation. Other business revenues increased \$1.9 million due to an increase in broadband penetration, both DSL and cable modem.

Total costs and expenses decreased by \$4.0 million to \$77.8 million in 2009. Costs of revenue increased \$1.2 million, or 3.1%, primarily due to higher maintenance expenses at several of the operations, increased costs from the growing internet and cable television operations as well as start up costs for certain CLEC operations. General and administrative costs incurred at the operations decreased \$2.4

million reflecting reductions in audit, consulting and other costs and 2008 included significant amounts of nonrecurring expenses. Corporate office expenses decreased by \$0.9 million, primarily due to a reduction in audit costs resulting from the change in independent auditors. Depreciation and amortization decreased \$1.8 million due to a \$1.4 million reduction in depreciation expense due to lower capital spending over the past several years, and a \$0.4 million reduction in amortization expense. The decrease in amortization expense resulted from the Company's annual test of goodwill and other indefinite life intangible assets for impairment, resulting in \$2.7 million of goodwill in 2008 and \$2.3 million of intangible assets in 2009, both of which were considered impaired and were written off in amortization expense.

As a result of the above, operating profit in 2009 increased by \$2.0 million to \$21.0 million compared to \$19.0 million in 2008.

Adjusted operating profit

Adjusted operating profit is used by our management as a supplemental financial measure to evaluate the operating performance of our business and, when viewed with our GAAP results and the accompanying reconciliations, we believe it provides a more complete understanding of factors and trends affecting our business than the GAAP results alone. We also regularly communicate our adjusted operating profit to the public through our earnings releases because it is the financial measure commonly used by analysts that cover the telecommunications industry and by our investor base to evaluate our operating performance. In addition, we routinely use adjusted operating profit as a metric for valuing potential acquisitions. We understand that analysts and investors regularly rely on non-GAAP financial measures, such as adjusted operating profit, to provide a financial measure by which to compare a company's assessment of its operating performance against that of other companies in the same industry. This non-GAAP financial measure is helpful in more clearly reflecting the sales of our products and services, as well as highlighting trends in our core business that may not otherwise be apparent when relying solely on GAAP financial measures, because this non-GAAP financial measure eliminates from earnings financial items that have less bearing on our performance.

LICT's management believes strongly in growing intrinsic value as a long-term prescription for managing an enterprise's health. Our local management teams run their respective businesses as stand-alone, entrepreneurial units although we attempt to use economies of scale and other efficiencies (such as joint purchasing) where they are available. We believe that adjusted operating profit is the clearest indicator of the cash flow generating ability and long-term health of such units. We value potential acquisitions on the same basis.

The term "adjusted operating profit" refers to, for any period, net income (loss) before all components of "Other income (expense)" (consisting of investment income, interest expense, equity in earnings of affiliates, gains and losses on disposition of or impairment of assets), income taxes, depreciation, amortization, minority interests and income or loss from discontinued operations.

The following table provides the components of Adjusted Operating Profit and reconciles it to net income:

	2009	2008	Increase (Decrease)
Adjusted operating profit from:			
Operating units	\$ 44,609	\$ 45,402	\$ (792)
Corporate expense	3,210	4,128	918
Adjusted operating profit	<u>\$ 41,399</u>	<u>\$ 41,274</u>	<u>\$ 126</u>
Reconciliation to net income:			
Adjusted operating profit	\$ 41,399	\$ 41,274	\$ 126
Depreciation and amortization	(20,439)	(22,280)	1,841
Investment income	1,313	1,803	(490)
Interest expense	(7,872)	(10,967)	3,095
Equity in income of affiliates	1,476	862	614
Gain (loss) on sale of investments	(841)	6,862	(7,703)
Income taxes (provision) benefit	(5,727)	(3,044)	(2,683)
Noncontrolling interest	(71)	(40)	(31)
Net income attributable to LICT	<u>\$ 9,238</u>	<u>\$ 14,469</u>	<u>\$ (5,231)</u>

Other Income (Expense)

In 2009, investment income decreased by \$0.5 million primarily due to lower cash balances and lower interest rates.

Interest expense decreased \$3.1 million due primarily to a reduction in long term debt due to scheduled repayments, lower interest rates on variable rate borrowings in 2009, and lower average borrowings on the Corporate line of credit.

Equity in earnings of affiliates in 2009 increased by \$0.6 million primarily due to increased earnings from our 25% partnership interest in a cellular telephone provider, California RSA #2.

In 2008, the Company recognized a gain of \$5.6 million from the sale of four of its 700 MHz licenses, \$1.9 million of gains that had previously been deferred from the 2006 dissolution of the Rural Telephone Bank (“RTB”) due to a favorable New York State commission ruling, and partially offset by a loss of \$0.7 million on the sale of an investment in a company holding spectrum, resulting from an impairment in the value of the spectrum. In 2009, the Company recorded an \$0.8 million due to an unfavorable California State commission ruling related to the 2006 dissolution of the RTB.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provisions for 2009 and 2008 represent effective tax rates of 38.1% and 17.3%, respectively. The difference between these effective rates and the federal statutory rate is primarily due to state income taxes. In addition, in 2008, the \$2.7 million goodwill impairment included in amortization expense was more than offset by reductions in valuation allowances, unrecognized tax benefits and other tax reserves.

Net Income (Loss) attributable to LICT

Net income attributable to LICT in 2009 was \$9.2 million, or \$378.46 per share (basic and diluted), compared to \$14.5 million, or \$580.36 per share (basic and diluted) in 2008. The Company has no dilutive instruments outstanding.

Year 2008 compared to 2007

The following is a breakdown of revenues and operating costs and expenses (in thousands):

	2008	2007	Increase (Decrease)
Revenues:			
Local access	\$ 13,254	\$ 13,368	\$ (114)
Interstate access	45,751	47,697	(1,946)
Intrastate access	14,267	14,441	(174)
Other business	27,506	26,629	877
Total	100,778	102,135	(1,357)
Operating Cost and Expense:			
Cost of revenue, excluding depreciation	38,050	36,355	1,695
General and administrative costs at operations	17,327	15,736	1,591
Corporate office expenses	4,128	3,644	484
Depreciation and amortization	22,280	21,837	443
Total	81,785	77,572	4,213
Operating profit (loss)	\$ 18,993	\$ 24,563	\$ (5,570)

Total revenues in 2008 decreased \$1.4 million, or 1.3%, to \$100.8 million compared to \$102.1 million in 2007. Local access revenue decreased \$0.1 million resulting from a 5.3% decrease in voice lines offset by the sale of additional services and features. Interstate access revenue decreased \$1.9 million in 2008 primarily due to \$1.1 million of more favorable prior period NECA adjustments in 2007 and negative adjustments of NECA earnings estimates in 2008, including an adverse change in the USF formulas covering our average schedule companies. Intrastate network access revenue decreased \$0.2 million due to a reduction of minutes of use at several of our companies. Other business revenues increased \$0.9 million due to an increase of \$1.8 million from increased broadband penetration, both DSL and cable offset by \$1.2 million of non-recurring revenue in the 2007 period. The non-recurring revenue in 2007 included a \$0.2 million service provider fee and \$1.0 million of cable revenue associated with our Kansas cable subsidiary, which was distributed to shareholders as part of the November 2007 spin-off of CIBL, Inc.

Total costs and expenses increased by \$4.2 million to \$81.8 million in 2008. Costs of revenue increased \$1.7 million, or 4.7%, primarily due to higher maintenance expenses at several of the operations, increased costs from the growing internet and cable television operations as well as start up costs for certain CLEC operations, offset by a \$0.7 million reduction in cable costs due to the spin-off of the Kansas cable subsidiary. General and administrative costs incurred at the operations increased \$1.6 million reflecting higher audit, consulting and other costs. Corporate office expenses increased by \$0.5 million, primarily due to unusual items resulting in a net cost reduction of \$0.4 million in 2007. Such unusual items include the receipt of insurance claims settlements in 2007 relating to 2006 litigation offset by the \$0.7 million cost to distribute certain assets to a new entity, CIBL Inc. Depreciation and amortization increased \$0.4 million due to an increase of \$2.7 million in amortization expense offset by a \$2.3 million decrease in depreciation expense. The increase in amortization expense resulted from the Company's 2008 annual test of goodwill and other indefinite life intangible assets for impairment, in accordance with SFAS No. 142, resulting in \$2.7 million of goodwill considered to be impaired which was written off in amortization expense. The \$2.3 million reduction in depreciation expense was due to lower capital spending over the past several years.

As a result of the above, operating profit decreased by \$5.6 million to \$19.0 million in 2008 compared to \$24.6 million in 2007.

The following table provides the components of Adjusted Operating Profit and reconciles it to net income:

	2008	2007	Increase (Decrease)
Adjusted operating profit from:			
Operating units	\$ 45,402	\$ 50,044	\$ (4,642)
Corporate expense	4,128	3,644	(484)
Adjusted operating profit	<u>\$ 41,274</u>	<u>\$ 46,400</u>	<u>\$ (5,126)</u>
Reconciliation to net income:			
Adjusted operating profit	\$ 41,274	\$ 46,400	\$ (5,126)
Depreciation and amortization	(22,280)	(21,837)	(443)
Investment income	1,803	2,675	(872)
Interest expense	(10,967)	(14,600)	3,633
Equity in income of affiliates	862	4,316	(3,454)
Gain on sale of investments	6,862	445	6,417
Income taxes (provision) benefit	(3,044)	(6,455)	3,411
Noncontrolling interest	(40)	(1,525)	1,485
Net income attributable to LICT	<u>\$ 14,469</u>	<u>\$ 9,419</u>	<u>\$ 5,050</u>

Other Income (Expense)

In 2008, investment income decreased by \$0.9 million primarily due to lower cash balances and lower interest rates.

Interest expense decreased \$3.6 million due primarily to a reduction in long term debt due to scheduled repayments, lower interest rates on variable rate borrowings in 2008, and lower average borrowings on the Corporate line of credit.

Equity in earnings of affiliates in 2008 decreased by \$3.5 million primarily due to the distribution of the Company's New Mexico cellular investments (RSA 3 and 5) to shareholders in November 2007.

In 2008, the Company recognized a gain of \$5.6 million from the sale of four of its 700 MHz licenses, \$1.9 million of gains that had previously been deferred from the dissolution of the Rural Telephone Bank ("RTB") due to a favorable state commission ruling, and partially offset by a loss of \$0.7 million on the sale of an investment in a company holding spectrum, resulting from an impairment in the value of the spectrum. The 2007 gain included \$0.4 million from a final distribution from the RTB dissolution.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provisions for 2008 and 2007 represent effective tax rates of 17.3% and 40.6%, respectively. The difference between these effective rates and the federal statutory rate is primarily due to state income taxes. In addition, in 2008, the \$2.7 million goodwill impairment included in amortization expense was more than offset by reductions in valuation allowances, unrecognized tax benefits and other tax reserves.

Noncontrolling Interests

Noncontrolling interests decreased by \$1.5 million primarily due to the distribution to shareholders of the Company's New Mexico cellular investments in November 2007.

Net Income (Loss) attributable to LICT

Net income attributable to LICT in 2008 was \$14.5 million, or \$580.36 per share (basic and diluted), compared to \$9.4 million, or \$374.40 per share (basic and diluted) in 2007. The Company has no dilutive instruments outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The debt at LICT's subsidiary companies contains restrictions on the amount of funds that can be transferred to their respective parent companies. LICT receives cash to meet its obligations primarily through management fees charged to its subsidiaries, dividends, a tax sharing agreement with its subsidiaries, usage of a line of credit facility, and has obtained additional liquidity by refinancing certain subsidiary debt and by the sale of assets.

The Company's \$17.5 million line of credit facility with a bank was scheduled to expire on June 30, 2010. On June 24, 2010, such line of credit was extended to July 31, 2011 at the same terms. Management believes such extension will provide adequate liquidity for at least the next twelve months. Outstanding under the line of credit facility, classified in notes payable to banks, was \$12.3 million and \$7.2 million at December 31, 2008 and 2009, respectively. During 2009, the average balance of notes payable outstanding was \$6.8 million, the highest amount outstanding was \$12.3 million and the average interest rate was 4.9%. LICT participated in the FCC's Auction 73, involving spectrum in the lower 700 MHz band. In January 2008, LICT deposited \$15 million, including \$12.5 million borrowed from an affiliate of its Chairman at an interest rate of 10%, to participate. The Company acquired no licenses in the auction, and on March 26, 2008, recovered the \$15 million on deposit and repaid the loan, including \$0.3 million of interest.

On March 31, 2010, LICT utilized \$7.4 million of its line of credit to pay-off the remaining balance of a loan with a bank at Lynch Telephone North that was partially secured by the assets of Lynch Telephone II, LLC, a subsidiary of LICT. Such loan pay-off was made in order to effectuate the acquisition by Sunshine PCS Corporation ("Sunshine") of all of the interests of Lynch Telephone II, which owns 100% of Inter-Community Telephone Company, LLC and Valley Communications, Inc. Inter-Community is a rural independent local telephone company ("RLEC") serving communities in southeastern North Dakota providing regulated telephone service and Valley provides internet and other non-regulated services. As consideration, Sunshine issued shares of its Class A common stock reflecting approximately 99% of its outstanding stock, to Lynch Telephone North L.L.C., the parent company of Lynch Telephone II. On May 28, 2010, the Company distributed the Sunshine Class A shares to its shareholders in the form of a dividend.

In March 2008, the Company completed the sale of four of its existing 700MHz licenses for an aggregate price of \$6.6 million. Such licenses were acquired by the Company in the FCC Auction 44 during 2002 for \$1.0 million resulting in a \$5.6 million gain. In September 2008, the company recognized a \$0.7 million loss of on the sale of its investment in a company holding spectrum, resulting from an impairment in the value of the spectrum.

On November 19, 2007, LICT distributed shares in a newly formed company, CIBL, Inc., to its shareholders of record on October 29, 2007. Each shareholder on the record date received one share of CIBL for each share of LICT that such shareholder owned. The distribution was accounted for as a dividend. The assets distributed in CIBL included a cable telecommunications company, LICT subsidiaries holding minority interests in cellular communications providers and broadcast television stations, and certain other financial assets. LICT received distributions from the cellular communications providers, net of the payments to the minority partner, of \$1.1 million prior to the distribution in 2007 and \$1.8 million in 2006.

The Company is obligated under long-term debt provisions and lease agreements to make certain cash payments over the term of the agreements. The following table summarizes, as of December 31, 2009 for the periods shown, these contractual obligations and certain other financing commitments from banks and other financial institutions that provide liquidity:

	Payments Due by Period (In thousands)				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt, principal only	\$ 124,946	\$ 14,784	\$ 49,135	\$ 27,789	\$ 33,239
Operating leases	4,458	762	1,314	1,076	1,306
FIN 48 obligation	185	--	--	--	185
Notes payable to banks, principal only	7,200	7,200	--	--	--
Interest on debt and notes	22,481	6,589	7,385	4,241	4,266
Total contractual cash obligations and commitments	\$ 159,270	\$ 29,335	\$ 57,834	\$ 33,106	\$ 38,996

At December 31, 2009, total debt (including notes payable to banks) was \$132.1 million, a decrease of \$23.8 million from December 31, 2008. At December 31, 2009, there was \$73.4 million of fixed interest rate debt outstanding, averaging 6.9%, and \$58.7 million of variable interest rate debt, averaging 3.5%. The debt at fixed interest rates includes \$38.7 million of subordinated notes at interest rates averaging 8.4% issued to sellers as part of acquisitions. The long-term debt facilities at certain subsidiaries are secured by substantially all of such subsidiaries' assets, while at other subsidiaries it is secured by the common stock of such subsidiaries. In addition, the debt facilities contain certain covenants restricting distributions to LICT. At December 31, 2008 and 2009, substantially all of the subsidiaries' net assets were restricted.

The FIN 48 obligations shown in the table above represent uncertain tax positions related to temporary differences. The years for which the temporary differences related to the uncertain tax positions will reverse have been estimated in scheduling the obligations within the table. In addition to the FIN 48 obligations in the table above, at December 31, 2009 approximately \$2.2 million of unrecognized tax benefits have been recorded as liabilities in accordance with FIN 48, and we are uncertain as to if or when such amounts may be settled. Related to the unrecognized tax benefits not included in the table above, the Company has also recorded a liability for potential penalties and interest of \$0.8 million.

LICT has a high degree of financial leverage. As of December 31, 2009, the ratio of total debt to equity was 2.3 to 1. Certain subsidiaries also have high debt to equity ratios.

As of December 31, 2009, LICT had current assets of \$38.1 million and current liabilities of \$34.8 million resulting in a working capital surplus of \$3.3 million compared to a surplus of \$5.8 million at December 31, 2008.

Sources and Uses of Cash

Cash at December 31, 2009, was \$22.6 million, a decrease of \$7.2 million compared to 2008. Net cash provided by operations of \$30.3 million in 2009, \$25.5 million in 2008 and \$31.9 million in 2007 was primarily used to invest in plant and equipment and repay debt.

Capital expenditures were \$12.2 million in 2009, \$18.9 million in 2008 and \$14.8 million in 2007 which are predominantly spent at the RLECs and, for our cost based companies, will be included in their rate bases for rate setting purposes.

On May 20, 2010, the Company purchased a cable communications company providing cable television, broadband and voice telephone services to approximately 1,800 customers in rural communities throughout southeastern Kansas for \$2.1 million in cash. The operations will complement an existing CLEC business as well as one of our RLEC operation in southeastern Kansas. Such cable company had previously been owned by a subsidiary of LICT, and was spun off from LICT as part of the CIBL spin-off in November 2007. The Company is in process of determining fair values.

The company is considering a significant refinancing initiative which will enhance our ability to take the operational steps necessary to position the organization for future success. The Company is currently weighing its options in this regard and the implementation of this refinancing will be predicated on its ability to obtain acceptable terms.

The Company's Board of Directors has authorized the purchase of up to 3,000 shares of the Company's common stock. The Company's bank covenants, however, further restrict share repurchases. Through December 31, 2009, all of the 2,347 shares allowed under the bank covenants had been purchased at an average investment of \$3,069 per share, including 308 shares purchased in 2009 at an average investment of \$2,698 per share.

The Company has not paid any cash dividends since its inception in 1999.