

May 18, 2010

LICT CORPORATION – SUNSHINE PCS CORPORATION INFORMATION STATEMENT

Common Stock (Par Value \$.0001 Per Share)

LICT Corporation (“LICT”) and Sunshine PCS Corporation (“Sunshine” or the “Company”) are furnishing this information statement to holders of LICT common stock in connection with the distribution by LICT to its stockholders of shares of common stock of Sunshine which LICT holds. As of the date of this information statement, LICT directly or indirectly owns approximately 320,300 shares, or approximately ninety-nine percent (99%), of Sunshine’s outstanding Class A common stock, the only stock of Sunshine now outstanding.

LICT expects to distribute approximately 315,700 of the Sunshine shares which LICT holds, or approximately 98% of Sunshine’s outstanding stock, to LICT’s stockholders on a *pro rata* basis, resulting in thirteen (13) shares of Sunshine being distributed to LICT stockholders for each share of LICT stock (and fraction thereof) owned. Although those LICT stockholders who hold a fractional share of LICT stock would be entitled to a fractional share of Sunshine stock under this *pro rata* distribution, fractional shares of Sunshine will not be distributed. Instead, a holder of a fractional share of LICT stock will be given cash at the rate of fifty dollars (\$50) per share in place of the fractional Sunshine share which would otherwise have resulted from the *pro rata* distribution. In this distribution, the entitlement to a fractional Sunshine share would only arise where an LICT stockholder holds a fractional share of LICT stock on the record date (May 24, 2010). The maximum cash payment to any individual LICT stockholder will be \$49.99, since no individual stockholder will be entitled to more than one fractional share and the pay-out rate for fractional Sunshine shares in the distribution is \$50 per share. We estimate that a total of not more than ten thousand dollars (\$10,000) will be paid out in the distribution as a result of this cash-forfractional- share arrangement.

As an example, if an LICT stockholder has 1.5 LICT shares on the record date, that stockholder would be entitled to a distribution of 19.5 shares of Sunshine: 13 shares per LICT share, times 1.5 shares. However, since fractional Sunshine shares are not being issued and are instead being paid out in cash at the rate of \$50/share, the stockholder would actually receive a total of 19 shares of Sunshine and \$25 in cash for the remaining fractional half-share of Sunshine.

After the distribution, LICT will hold approximately four thousand five hundred (4,500) shares of Sunshine stock, or slightly more than one percent (1%) of the outstanding Sunshine stock. This small amount of Sunshine’s stock will remain with LICT as a result of the distribution of only whole shares of Sunshine stock to LICT stockholders, and no fractional shares. LICT may determine to retain this Sunshine stock, or may dispose of all or part of it in an appropriate manner in the future.

LICT expects that the distribution of its Sunshine shares (and cash in lieu of any fractional Sunshine shares) will be made on or about May 31, 2010, and it will be made to the holders of record of LICT common stock as of the close of business on the record date, May 24, 2010. If you are a holder of LICT common stock at the close of business on the record date, you will receive 13 shares of Sunshine common stock for each share of LICT common stock and fraction thereof you hold on that date, along with cash for any fractional Sunshine share that would otherwise be due, as described above. If you sell any or all of your shares of LICT common stock after the record date and prior to the distribution, you will still receive this distribution of Sunshine common stock plus any cash due for a fractional Sunshine share.

The distribution is expected to be tax-free to LICT, Sunshine and LICT stockholders, except to the extent that LICT stockholders receive cash in lieu of fractional Sunshine shares. For more information on the U.S. federal income tax consequences of the distribution, see “The Distribution – U.S. Federal Income Tax Consequences of the Distribution” beginning on page 14.

You will not be required to make any payment for the shares of Sunshine common stock that you will receive in the distribution, nor will you be required to surrender or exchange your shares of LICT common stock or take any other action in order to receive shares of Sunshine common stock in the distribution. No approval by LICT or Sunshine stockholders of the distribution is required or is being sought.

The approximately 1% of Sunshine's shares not held by LICT, and thus not involved in this distribution of Sunshine shares to LICT's stockholders, are currently traded on the Pink Sheets ®, and will continue to be tradable there. However, the shares of Sunshine being distributed to LICT stockholders will not initially be transferable by public sale. Each stock certificate of the Sunshine shares being distributed will contain a legend limiting the transfer of the shares. Sunshine's stock transfer books will also include stop transfer instructions that indicate the transfer restrictions. Until these shares of Sunshine's common stock being distributed to LICT's shareholders are registered with the Securities and Exchange Commission ("SEC"), or qualify for public trading pursuant to an exemption from the registration requirement, there will be no public trading market for these shares. The Sunshine shares being distributed to LICT stockholders will be restricted securities and, as noted above, may not be sold unless registered under the Securities Act of 1933, as amended (the "Securities Act"), sold privately or sold pursuant to an exemption from registration.

In reviewing this information statement, you should carefully consider the risks under "Risk Factors" beginning on page 8 of this information statement.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

This information statement is not an offer to sell, or a solicitation of an offer to buy, any securities.

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Lynch Telephone II and Subsidiaries Consolidated Financial Statements and Independent Auditors' Report for the Years Ended December 31, 2009 and 2008.	Exhibit 1

SUMMARY

This summary highlights information contained elsewhere in this information statement. This summary does not contain all of the information that you should consider. You should read this entire information statement carefully, especially the risks of owning Sunshine's common stock discussed under "Risk Factors," and Sunshine's 2008-2009 audited combined financial statements and related notes, attached hereto as Exhibit 1.

The Company

At the time of the distribution, Sunshine will be a combination of certain telecommunications interests being spun off by LICT. Sunshine's business will focus on the operation of Inter-Community Telephone Company, L.L.C. ("ICTC"), a Rural Local Exchange Carrier ("RLEC"), and Valley Communications, Inc. ("Valley"), a Competitive Local Exchange Carrier ("CLEC") (collectively referred to as the "ND Operations"), each serving geographic areas in southeastern North Dakota. (See pages 24-26). The ND Operations are subsidiaries of Lynch Telephone II, L.L.C., which was acquired by Sunshine from Lynch Telephone North L.L.C., the direct parent entity of Lynch Telephone II, on March 31, 2010, in exchange for 320,000 shares of Sunshine's common stock.

Reasons for the Distribution

There are a number of business reasons for the distribution of the Sunshine shares, including the following:

- Because of their geographically-dispersed locations and markets, LICT's mix of businesses and assets has historically been regarded by the equity and financing markets as somewhat diffuse and potentially inefficient. Within LICT's framework, the ND Operations are "outliers" separated by geography, nature of their physical plant and market characteristics from LICT's core RLEC and CLEC operations. The Sunshine distribution will create a clearer and more precise business model focused on LICT's core RLEC and CLEC operations.
- LICT's RLEC operations, and those of the RLEC industry generally, are in the midst of a critical and uncertain time in their history. At this point, LICT's management time and effort spent on non-core activities, such as the ND Operations, detracts from its ability to develop and implement the strategies necessary for the long-term success of its RLEC properties.
- Enhancing LICT's focus on its core RLEC business will allow management to more precisely target employee performance and rewards. Sunshine will also be able to more precisely target these matters as it undertakes the independent management of the ND Operations.
- The separation of Sunshine's assets from LICT will allow Sunshine and LICT management to focus on their respective strategic priorities, which are historically and necessarily divergent in several respects. This improved strategic focus will enhance the competitive positions of both Sunshine and LICT, enable each company to fully develop its existing business opportunities, and support the ability of each to pursue strategic transactions.

Company Information

Sunshine was incorporated in Delaware on July 13, 2000, initially under the name "East/West Communications Corporation II." After the current distribution, Sunshine's principal executive offices will be located at 556 Main Street, Nome, ND 58062. Sunshine's telephone number will be (701) 924-8815.

QUESTIONS AND ANSWERS ABOUT THE DISTRIBUTION

See “The Distribution” at pages 12-16 for a more detailed description of the matters summarized below.

- How will the distribution work? Approximately 315,700 shares of Sunshine common stock held by LICT will be distributed *pro rata* to the holders of LICT common stock as of the record date. In the distribution, each holder of LICT common stock will be entitled to thirteen (13) shares of Sunshine common stock for every share of LICT common stock and fraction thereof held as of the close of business on May 24, 2010, which is the record date for the distribution. Fractional shares of Sunshine stock that would be due under this *pro rata* distribution will not be distributed, and the LICT stockholder will instead receive cash for a fractional Sunshine share at the rate of \$50 per share. The entitlement to a fractional Sunshine share will only arise where the LICT stockholder holds a fractional LICT share on the record date, since each full share of LICT will be due a distribution 13 whole shares of Sunshine. Thus, only holders of a fractional LICT share on the record date will receive a cash payment in lieu of a fractional Sunshine share, and that payment will not exceed \$49.99 for any stockholder since no stockholder will be entitled to more than one fractional Sunshine share.
- What will Sunshine’s relationship with LICT be after the distribution? After the distribution, Sunshine and LICT will be independent, publicly-owned, non-reporting companies. They will have substantially the same ownership at the stockholder level, but will not have parent-subsidary, affiliate or any other corporate relationship except for LICT’s initial retention of approximately 1% of Sunshine’s outstanding stock, and LICT may ultimately decide to dispose of these shares. See also “Arrangements Between LICT and Sunshine” on page 26.
- When will the distribution be completed? It is expected to be completed on or about May 31, 2010.
- What is the record date for the distribution? The record date is the close of business on May 24, 2010.
- What do I have to do to participate in the distribution? You do not have to take any action to receive shares of Sunshine common stock (or cash for fractional Sunshine shares) in the distribution. No vote of LICT stockholders (or Sunshine stockholders) is required and none will be conducted for the distribution. If you own shares of LICT common stock as of the close of business on the record date, you will receive, on or about May 31, 2010, thirteen (13) shares in Sunshine for each share of LICT stock which you own, and cash in place of a fractional Sunshine share if you own a fractional LICT share on the record date and would thus be entitled to a fractional Sunshine share. You do not need to mail in or do anything else with your LICT common stock certificate(s), and you are not required to take any other action in connection with the distribution.
- How many shares of Sunshine common stock will I receive? As noted above, each holder of LICT common stock will receive Sunshine common stock at the rate of 13 shares for each LICT share and fraction thereof that such stockholder owned as of the record date, May 24, 2010. For additional information, see “The Distribution” on pages 12-16.
- Is the distribution taxable for U.S. federal income tax purposes? We expect that the distribution will not be taxable to LICT, Sunshine or LICT stockholders, except to the extent that LICT stockholders receive cash in lieu of fractional Sunshine shares. However, neither LICT nor Sunshine has received an opinion from legal counsel regarding the U.S.

federal income tax consequences of the distribution or applied for a private letter ruling from the Internal Revenue Service (“IRS”) with respect to the U.S. federal income tax consequences. Accordingly, there can be no assurance that the IRS or another taxing authority will not assert that the distribution is taxable to LICT, Sunshine and/or LICT stockholders. See “The Distribution— U.S. Federal Income Tax Consequences of the Distribution” beginning on page 14 for more information.

How will the distribution affect my tax basis in LICT common stock?

Your tax basis in the LICT common stock held by you immediately prior to the distribution will be allocated between your LICT common stock and the Sunshine common stock (including any fractional shares of Sunshine for which you receive cash) that you receive in the distribution, in proportion to the relative fair market values of each on the distribution date, assuming that the distribution is tax-free to LICT stockholders. In order to obtain guidance as to your individual circumstances, you must consult with your tax advisor on this matter. See “The Distribution— U.S. Federal Income Tax Consequences of the Distribution” on pages 14-16 for more information.

Does Sunshine intend to pay dividends on Sunshine common stock?

Initially, Sunshine has no plan to pay a dividend. Sunshine’s board of directors will determine the payment and amount, if any, of future dividends on the basis of its financial condition, earnings, capital requirements, legal and regulatory constraints and other relevant factors. See “Dividend Policy” on page 17 for further information.

Will I be able to trade my shares of Sunshine common stock?

The shares of Sunshine’s common stock which are being distributed by LICT are not being registered with the SEC, and thus initially there will be no public trading market for these shares. Unless and until Sunshine’s management registers these shares of its common stock with the SEC, or the shares qualify for public trading under an exemption from the registration requirement, there will be no public trading in these shares of Sunshine common stock now being distributed by LICT. However, the Sunshine shares being distributed may be transferred by means of a private sale, prior to their registration or the availability of an exemption that would permit public trading.

Will the number of shares of LICT common stock I own change as a result of the distribution of Sunshine common stock?

No. The number of shares of LICT common stock you own will not change as a result of this distribution.

Whom should I contact if I have questions regarding the Sunshine distribution?

You should direct inquiries relating to the distribution to:
LICT Corporation
Attn: Robert E. Dolan, Chief Executive Officer (Interim)
401 Theodore Fremd Avenue
Rye, New York 10580
Telephone: (914) 921-8821

SUMMARY HISTORICAL AND PRO FORMA COMBINED FINANCIAL DATA

The following table presents summary historical financial data for Lynch Telephone II, L.L.C. (the direct parent entity of the ND Operations) and pro forma combined financial data giving effect to the acquisition of Lynch Telephone II by Sunshine on March 31, 2010 (the “Sunshine Acquisition”). The statement of income data for each of the years in the two-year period ended December 31, 2009 and the statement of financial condition data as of December 31, 2009 and 2008 (attached hereto as Exhibit 1) have been derived from Lynch Telephone II’s audited combined financial statements and include adjustments that give effect to the distribution and certain related transactions.

The summary historical and pro forma financial data presented below should be read in conjunction with Exhibit 1 and Management’s Discussion of Operations set forth at pages 21-23 herein. The combined financial information may not be indicative of Sunshine’s future performance and does not necessarily reflect what Sunshine’s financial position and results of operations would have been had Sunshine operated as a separate, stand-alone entity during the periods presented, including changes that will occur in Sunshine’s operations and capitalization as a result of its separation from LICT. See “Unaudited Pro Forma Condensed Combined Financial Statements” at pages 18-20 for additional discussion of the anticipated changes.

The pro forma financial data include adjustments to:

- 1) combine Sunshine’s historical income statement and balance sheet; and
- 2) incorporate the following events relating to the Sunshine Acquisition:
 - a. eliminate the existing management and director fees paid by the ND Operations to LICT’s wholly-owned subsidiary, Brighton Communications Corporation (“Brighton”);
 - b. cancel the net loans receivable from Brighton and Lynch Telephone North L.L.C. (formerly the direct parent entity of Lynch Telephone II), the amounts included in Due to Affiliates, and the portion of the income tax payable to Brighton;
 - c. include \$1.6 million of long-term debt borrowed from a bank; and
 - d. include \$2.1 million of subordinated notes that were assumed by Sunshine from Lynch Telephone North.

Summary Historical and Pro Forma Combined Financial Data

	For the Year Ended December 31,			
	Pro Forma 2009	Actual 2009	Pro Forma 2008	Actual 2008
Income Statement:				
Revenues	\$ 4,225,018	\$ 4,225,018	\$4,365,358	\$ 4,365,358
Operating expenses	1,484,934	1,484,934	1,483,265	1,483,265
General administrative expenses	984,703	908,581	784,953	855,600
Depreciation	826,611	826,611	763,823	763,823
Total expenses	<u>3,296,248</u>	<u>3,220,126</u>	<u>3,032,041</u>	<u>3,102,688</u>
Operating income	928,770	1,004,892	1,333,317	1,262,670
Investment income	153,343	358,882	163,597	265,710
Interest expense	(225,407)		(225,407)	
Equity income	242,033	242,033	215,816	215,816
Net income before income tax	<u>1,098,739</u>	<u>1,605,807</u>	<u>1,487,323</u>	<u>1,744,196</u>
Income tax expense	<u>(450,864)</u>	<u>(644,665)</u>	<u>(552,349)</u>	<u>(650,526)</u>
Net income	<u>\$ 647,875</u>	<u>\$ 961,142</u>	<u>\$ 934,974</u>	<u>\$ 1,093,670</u>

	As of December 31,			
	Pro Forma 2009	Actual 2009	Pro Forma 2008	Actual 2008
Balance Sheet				
Assets				
Current assets	\$ 1,610,875	\$ 1,365,551	\$ 1,875,183	\$ 1,431,164
Property, plant and equipment, net	4,771,283	4,771,283	4,548,359	4,548,359
Notes receivable from affiliates	--	3,223,050	--	2,916,740
Investments	1,141,507	1,141,507	1,046,321	1,046,321
Goodwill	1,772,179	1,772,179	1,772,179	1,772,179
Other	--	--	49,405	49,405
	<u>\$ 9,295,844</u>	<u>\$ 12,273,570</u>	<u>\$ 9,291,447</u>	<u>\$ 11,764,168</u>
Liabilities and Parent's Equity				
Current liabilities	\$ 589,549	\$ 2,142,891	\$ 578,372	\$ 2,721,127
Deferred income taxes	1,652,770	1,652,770	1,476,869	1,476,869
Other liabilities	--	--	49,405	49,405
Long term debt	3,662,800	--	3,662,800	--
Member's equity	3,390,725	8,477,909	3,524,001	7,516,767
	<u>\$ 9,295,844</u>	<u>\$ 12,273,570</u>	<u>\$ 9,291,447</u>	<u>\$ 11,764,168</u>

RISK FACTORS

You should carefully consider the risks described below and all of the other information in this information statement in evaluating Sunshine. Sunshine's business, financial condition, cash flows and/or results of operations could be materially adversely affected by any of these risks.

This information statement also contains forward-looking statements that involve risks and uncertainties. Sunshine's actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including the risks faced by Sunshine described below and elsewhere in this information statement. See also "Special Note Regarding Forward-Looking Statements" on page 12.

Risks Related to Sunshine

Sunshine is not obligated to make publicly available the information that publicly-traded companies generally must disclose.

Sunshine does not have a duty to file periodic reports with the SEC. Although the Company intends voluntarily to disseminate press releases, quarterly financial statements and audited annual financial statements, it is not obligated to do so or to disclose the information that most publicly-traded companies must disclose. The Company will not be subject to certain liability provisions of the Securities Exchange Act of 1934, as amended, and its officers will not have to make the certifications required by the Sarbanes-Oxley Act of 2002. The Company's stockholders may find that the information provided to them is more limited than for publicly-traded companies generally, and that their recourse for any alleged disclosure deficiencies is also more limited.

Sunshine does not currently plan to pay cash dividends.

At the time of the distribution, the Company does not have any plan to pay cash dividends on its common stock. In addition, its existing credit agreement restricts dividends, and credit agreements which it may enter into in the future with institutional lenders may restrict its ability to pay dividends. Whether the Company pays cash dividends in the future will be at the discretion of its board of directors and will be dependent upon its legal obligations, financial condition, results of operations, capital requirements, and any other factors that its board of directors decides are relevant.

At the time of the distribution, Sunshine's management and other employees are not under contractual or other obligation to remain in their employment.

At the time of distribution, Sunshine is expected to have executive officers and craft employees (e.g., outside plant technicians, central office engineers, etc.) who will be responsible for its day-to-day management and operation, but who will not be contractually or otherwise obligated to continue in their employment for Sunshine. Most of Sunshine's current management team and other employees have been in place for a number of years, but these persons are not bound by employment contracts and may leave their current positions at any time without further obligation to Sunshine. If that were to occur, Sunshine would attempt to recruit replacement management and craft personnel with appropriate qualifications to meet its needs. However, it is not certain that Sunshine would be able to acquire experienced management or craft employees on favorable terms or in a timely fashion, if its current managers or employees decided to resign.

Sunshine receives a portion of its income from distributions by entities in which it holds minority interests.

Sunshine has minority investments and partnership interests in various entities from which it receives equity income. Any distributions from such entities (in the form of dividends or otherwise) will be made at the discretion of the general partner or majority interest holder of each such entity. Although these distributions comprise a relatively small portion of Sunshine's combined revenues and other income (approximately 6%), the Company will use such distributions to help meet its financial obligations generally and to help pay dividends, if it ultimately decides to pay dividends, on its common stock. If these distributions are decreased or terminated, it may be more difficult for Sunshine to meet its financial obligations and/or to pay dividends, if any, on its common stock.

Sunshine has a significant amount of debt.

Sunshine is carrying a significant amount of debt for a company of its size, scope and financial resources. Servicing this debt may impede or diminish the Company's ability to undertake or adequately fund other activities, and could thus hinder the operation or development of its business.

Risks Related to the Distribution

If the distribution is taxable for U.S. federal income tax purposes, LICT, Sunshine and/or LICT stockholders may suffer adverse tax consequences.

LICT expects that the distribution will not be taxable for U.S. federal income tax purposes to LICT, Sunshine or LICT stockholders, except to the extent that LICT stockholders receive cash in lieu of fractional Sunshine shares. However, neither LICT nor Sunshine has received an opinion from legal counsel regarding the U.S. federal income tax consequences of the distribution, or applied for a private letter ruling from the IRS with respect to the U.S. federal income tax consequences of the distribution.

Accordingly, there can be no assurance that the IRS or another taxing authority will not assert that the distribution is taxable to LICT, Sunshine and/or LICT stockholders. (See “The Distribution—U.S. Federal Income Tax Consequences of the Distribution,” pages 14-16, for more information.)

There is currently no public trading market for the shares of Sunshine’s common stock being distributed.

Transfer of the Sunshine common stock being distributed by LICT is restricted. These shares have not been registered under the Securities Act or the securities laws of any state. The right of any recipient of these Sunshine shares to sell, transfer, pledge or otherwise dispose of that stock is limited by the Securities Act and state securities laws and the regulations promulgated thereunder. Accordingly, these shares of Sunshine’s common stock now being distributed to LICT shareholders may only be sold in a private transaction or pursuant to an exemption from registration under the Securities Act, and there will not be a public trading market for these shares at the time of the distribution.

Risks Related to the Businesses

Sunshine’s businesses are subject to competition that may adversely impact them.

The markets for the telephone and related communications services which comprise Sunshine’s businesses are highly competitive in densely-populated areas, and that competition has been expanding into rural areas, including the areas served by Sunshine. Moreover, regulation and technological innovation can bring change quickly in the communications industry. These factors historically have had, and may in the future have, a significant and unpredictable impact on the competitive dynamics in each of the geographic and product/service markets where Sunshine operates or has interests. Sunshine faces competition from cellular telephone companies for voice service and this competition may soon expand to Internet access and other broadband services. Sunshine also faces competition for Internet access services from cable television operations. Sunshine expects that competition from each of these sources, as well as from new competitors, will expand and intensify in the future.

Some of Sunshine’s competitors have brand recognition and financial, personnel, marketing and other resources that are much more extensive than those of Sunshine. In addition, consolidation and strategic alliances within the communications industry or the development of new technologies could adversely affect Sunshine’s competitive position. The Company cannot predict the number, type or capabilities of competitors that will emerge, whether as a result of existing or new technologies, or from federal and state regulatory or legislative actions. However, increased competition from existing and new entities is very likely and could have a materially adverse effect on its businesses.

Sunshine may not be able to successfully integrate new technologies, respond effectively to customer requirements or provide new services.

The communications industry in general, and the RLEC and CLEC segments where Sunshine operates in particular, are subject to rapid and significant changes in technology, frequent new service introductions and evolving industry standards. The Company cannot predict the effect of these changes on its competitive position or profitability. Technological developments may reduce its competitiveness and require unbudgeted upgrades or the procurement of additional products. These developments could be expensive as well as time-consuming and difficult to implement. In addition, new products and services arising out of technological and/or market evolution may reduce the attractiveness of the services the Company currently provides. If the Company fails to adapt successfully to technological changes or obsolescence, or fails to respond successfully to changes in the marketplace, its results could suffer.

The Company may have difficulty raising additional capital to meet its business objectives.

Sunshine may need additional capital to meet its business objectives and develop its operations. Such additional capital may need to be in the form of debt, and Sunshine may not be able to borrow or to raise sufficient additional capital at all or on terms that it considers acceptable. The inability to raise capital as needed or on favorable terms could adversely affect Sunshine's existing operations and its ability to expand or otherwise develop its businesses.

A system failure could cause delays or interruptions of Sunshine's communications services, which could cause Sunshine to lose customers.

To be successful, Sunshine's communications operations must continue to provide their customers reliable service. Some of the risks to the reliability of those services include:

- physical damage to communication lines, switches or other facilities;
- power surges or outages;
- software and hardware defects; and
- other environmental disruptions beyond Sunshine's control.

These and other events may cause interruptions or delays in service, or reduced capacity to serve customers, either of which could cause Sunshine to lose customers and/or incur expenses. Sunshine's competitive position could also be adversely affected by such disruptions or delays.

Risks Related to the Company's Regulatory Environment

Regulatory changes in the communications industry could adversely affect the Company's business by facilitating greater competition against it, reducing potential revenues or raising its costs.

Sunshine's communications interests are subject to regulation in some of their aspects by the FCC under the Communications Act of 1934, as amended, and by the North Dakota Public Service Commission ("NDPSC"). Regulation of Sunshine's businesses is also subject to changes which may adversely impact Sunshine. In particular, the National Broadband Plan ("NBP") issued by the FCC on March 16, 2010, while not legally binding on any particular matter at this point, announced a clear and dramatic shift in the FCC's approach to regulation and the distribution of federal financial support through the Universal Service Fund ("USF") in rural areas. This regulatory shift may ultimately be unfavorable or adverse to Sunshine's interests as the FCC proceeds to implement the NBP over the coming ten years which it covers. Even prior to the NBP, there were ongoing efforts (many of which may continue) to modify basic provisions of FCC regulations that affect Sunshine's businesses, and any resulting modifications may increase the regulatory and other risks Sunshine already faces. We cannot predict whether the FCC, in its implementation of the NBP or otherwise, or the NDPSC will adopt regulations or take enforcement or other actions that would adversely affect Sunshine, impose new costs, or impede or require changes in its current or future operations.

With regard to Sunshine's wireless interests, which also may be further affected by implementation of the NBP, the FCC has recently adopted several burdensome requirements. It has required wireless providers to maintain emergency back-up power sources for wireless equipment and facilities, and to provide enhanced 911 capabilities for caller location information. These requirements have required wireless operators to purchase additional equipment, obtain additional permits and incur additional operating expenses. Ongoing compliance with such requirements and others which the FCC may impose under the NBP or otherwise could result in material costs for Sunshine's wireless interests. Moreover, because of the relatively small size of the wireless operations in which Sunshine has interests, regulation can significantly and disproportionately increase the costs of these operations and affect their competitive position compared to other, larger telecommunications providers.

We cannot predict the timing or effects of any such developments, nor can there be any assurance that these and other changes will not adversely affect Sunshine, any of its individual businesses or the segments of the communications industry in which it is involved.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking statements are made in this information statement, including under “Summary”, “Risk Factors”, “Management’s Discussion of Operations”, “Business” and elsewhere. These forward-looking statements include statements regarding both Sunshine specifically and the industries in which it operates generally. Statements that include words such as “expect”, “intend”, “plan”, “believe”, “project”, “anticipate”, “seek”, “will” and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the U.S. federal securities laws and otherwise. These statements are subject to risks and uncertainties, and include any statements that are not historical facts and/or statements regarding Sunshine’s financial position, business strategy and other plans and objectives for current or future operations. Although management believes that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those indicated in such statements themselves or by the context in which they are made.

These risk factors include those listed under “Risk Factors” herein and also include, but are not limited to, the following:

- the impact of Sunshine’s separation from LICT;
- the effects of political and economic conditions and events;
- unforeseen and catastrophic events;
- unanticipated developments relating to lawsuits, investigations or similar matters; and
- investor and/or lender sentiment, plans and capabilities.

The foregoing review of important risk factors should not be construed as exclusive and should be read in conjunction with the other cautionary statements that are included in this information statement. These factors expressly qualify all oral and written forward-looking statements attributable to Sunshine, LICT or persons acting on their behalf. Except for Sunshine’s stated intention to disclose material information periodically to its stockholders on its website and/or through additional means, Sunshine and LICT do not have any present intention, and they have no obligation, to update forward-looking statements after the date of this information statement, whether as a result of new information, future developments or for any other reason.

THE DISTRIBUTION

Background and Reasons for the Distribution

On March 19, 2010, LICT’s board of directors approved the distribution of Sunshine common stock held by LICT to LICT’s stockholders. The approval was based upon receipt by LICT of advice of counsel, satisfactory to the LICT board of directors, regarding the anticipated tax consequences of the distribution to Sunshine, LICT and LICT stockholders. In making the determination to separate Sunshine from LICT, LICT considered its strategic options and concluded that LICT and Sunshine could best manage their respective enterprises as two stand-alone companies, with separate boards of directors and officers focused on each company’s separate businesses.

There are a number of substantial business reasons for the distribution of Sunshine, including among others the following:

- The broad range and diversity of LICT's operating RLECs and its other assets, along with their geographic dispersion, have historically been regarded as somewhat diffuse and potentially inefficient by the equity and financing markets. A clear and precise business model focused on LICT's core RLEC operations should reduce any such perception, and should eliminate any confusion that may have resulted from the diversity of LICT's holdings. This sharpened focus on core RLEC properties will also help to unlock LICT's intrinsic value for use as a currency for future possible acquisitions and financings, and will put LICT on a more equal footing with other potential equity and financing candidates. At the same time, the separation of Sunshine from LICT will eliminate certain state tax uncertainties relating to the ND Operations, and permit Sunshine to elect certain FCC regulatory options that should have favorable consequences but are not available to it as a part of LICT.
- LICT's RLEC operations are in the midst of a critical and uncertain time in their history. Moreover, Sunshine's ND Operations are on the remote periphery of LICT's businesses, from both an economic and geographic viewpoint. Management time and effort spent on a non-core RLEC operation such as Sunshine detracts from LICT management's ability to develop and implement the strategies necessary for the long-term success of the overall enterprise.
- At the same time, the separation from LICT will also allow Sunshine's management to focus specifically on its particular challenges and opportunities, without the need to consider and accommodate the demands of LICT's far larger and more far-flung operations. Sunshine will be much better positioned to pursue the many and varied opportunities which North Dakota's economy currently presents in technology, energy and agriculture, among other fields, than it has been as part of LICT. In addition, the distribution of Sunshine will enable it to achieve enhanced financial leverage and flexibility for its own operations without imposing the need for a burdensome and potentially unacceptable increase in leverage upon LICT. The distribution will also allow Sunshine to reduce some of the costs that the ND Operations currently bear.
- Furthermore, the distribution will benefit both LICT and Sunshine from a human resources standpoint. Separating the two companies will allow management of both LICT and Sunshine to more precisely design and evaluate employee objectives, rewards and performance.
- Finally, the separation of Sunshine's assets from LICT will enhance the overall competitive positions of both companies and allow each company's management to focus on its respective strategic priorities, which are divergent from one another, while improving the ability of each company to pursue strategic transactions where appropriate.

Manner of Effecting the Distribution

LICT currently holds approximately ninety-nine percent (99%) of Sunshine's outstanding shares, and will distribute nearly all of those shares, comprising approximately ninety-eight percent (98%) of Sunshine's ownership, to LICT stockholders as of the record date, May 24, 2010, on a *pro rata* basis. In the distribution, each LICT stockholder (as of the record date) will receive 13 shares of Sunshine for each share of LICT (and fraction thereof) held, plus a cash payment at the rate of \$50/share for any fractional Sunshine share that would otherwise be due as the result of the LICT stockholder's ownership of a fractional share of LICT. It is expected that the distribution will actually be implemented on or about May 31, 2010.

Results of the Distribution

Following the distribution, Sunshine will be an independent company owning and managing the ND Operations, which had previously been assets of LICT. Sunshine expects to have approximately one hundred (100) stockholders of record and approximately 324,500 shares of its common stock outstanding immediately following the distribution.

You will not be required to make any payment for the shares of Sunshine common stock you receive, nor will you be required to surrender or exchange your shares of LICT common stock or take any other action in order to receive Sunshine common stock (or cash in lieu of a fractional share). The distribution will not affect the number of outstanding LICT shares or any rights of LICT stockholders, although it may affect the market value of the outstanding LICT common stock.

U.S. Federal Income Tax Consequences of the Distribution

The following discussion is a summary of certain U.S. federal income tax consequences of the distribution to LICT, Sunshine and U.S. Holders (as defined below) of LICT common stock who hold their LICT common stock as capital assets (generally, for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations promulgated thereunder and judicial and administrative interpretations thereof, all as in effect as of the date of this information statement and all of which are subject to change at any time, possibly with retroactive effect. This discussion assumes that the distribution will be consummated as described in this information statement.

This discussion is not a complete description of all tax consequences of the distribution and, in particular, may not address U.S. federal income tax considerations that affect the treatment of certain LICT stockholders, including broker-dealers, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, S corporations, tax exempt organizations, persons who acquired their LICT common stock pursuant to the exercise of an employee stock option or otherwise as compensation, persons who hold their LICT common stock as part of a “hedge,” “straddle,” “conversion” or “constructive sale” transaction, non-U.S. Holders, former citizens or former long-term residents of the United States, persons whose functional currency is not the U.S. dollar or persons who are subject to the alternative minimum tax. In addition, no information is provided herein with respect to U.S. federal gift or estate taxes or the tax consequences under applicable state, local or foreign laws.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of LICT common stock that is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any political subdivision thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (1) in general, a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or (2) it has in effect a valid election under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership holds LICT common stock, the tax treatment of the distribution to a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding LICT common stock should consult its own tax advisor.

IRS Circular 230 Disclosure: This information statement was written to support the transactions or matters described herein. To ensure compliance with requirements imposed by the IRS, LICT and Sunshine are informing you that this information statement was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties that may be imposed on the taxpayer under the Code. LICT stockholders should seek tax advice based on their particular circumstances from their independent tax advisor.

Tax Consequences of the Distribution

The distribution is expected to meet the requirements of a tax-free spin-off under Section 355 of the Code. However, neither LICT nor Sunshine has received an opinion from legal counsel regarding the U.S. federal income tax consequences of the distribution under Sections 355, 368 or any other related provisions of the Code, or applied for a private letter ruling from the IRS with respect to the U.S. federal income tax consequences of the distribution. Accordingly, there can be no assurance that the IRS or another taxing authority will not assert that the distribution is taxable to LICT, Sunshine and/or LICT stockholders.

Provided that the distribution meets the requirements of Section 355 of the Code, the following consequences will result:

- Except as otherwise noted below, a U.S. Holder will not recognize any income, gain or loss as a result of the receipt of Sunshine common stock in the distribution;
- The payment of cash, if any, received by a U.S. Holder in lieu of fractional shares of Sunshine common stock will be treated for U.S. federal income tax purposes as if the fractional shares had been distributed as part of the distribution to such U.S. Holder and then had been sold by the U.S. Holder for cash. Each U.S. Holder who receives cash in lieu of fractional shares of Sunshine common stock will recognize capital gain or loss for U.S. federal income tax purposes. Such capital gain or loss will be measured by the difference between the cash received by such U.S. Holder and the U.S. Holder's adjusted tax basis (as described immediately below) in the fractional shares of Sunshine common stock;
- A U.S. Holder's tax basis in its LICT common stock immediately before the distribution will be allocated between its LICT common stock and the Sunshine shares received (including any fractional shares of Sunshine for which a U.S. Holder receives cash) in the distribution in proportion to the relative fair market value of each on the distribution date;
- A U.S. Holder's holding period for the Sunshine common stock received in the distribution will include the period for which that holder's LICT common stock was held; and
- Neither Sunshine nor LICT will recognize gain or loss on the distribution of the Sunshine common stock to holders of LICT common stock.

If the distribution were not to meet the requirements of Section 355 of the Code, then each stockholder of LICT receiving shares of Sunshine common stock in the distribution would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the Sunshine common stock received. In addition, LICT would recognize taxable gain equal to the excess of the fair market value, if any, of the Sunshine common stock distributed over LICT's adjusted tax basis in such stock.

Even if the distribution otherwise meets the requirements of Section 355 of the Code, it may be taxable to LICT (but not its stockholders) under Section 355(e) of the Code if 50% or more of either the total voting power or the total fair market value of the stock of LICT or Sunshine is acquired as part of a plan or series of related transactions that include the distribution. For purposes of this test, any acquisition of LICT or Sunshine stock, or any agreement, understanding, arrangement or substantial negotiations regarding an acquisition of LICT or Sunshine stock within two years before or after the distribution are subject to special scrutiny. If Section 355(e) of the Code were to apply as a result of such an acquisition, LICT would recognize taxable gain equal to the excess of the fair market value of the Sunshine common stock distributed over LICT's adjusted tax basis in such stock.

Information Reporting

Treasury Regulations require certain "significant" LICT stockholders (those who immediately before the distribution own one percent (1%) or more of LICT's common stock) who receive Sunshine common stock pursuant to the distribution to attach to his/her/its U.S. federal income tax return for the taxable year in

which the distribution occurs a detailed statement setting forth certain information with respect to the distribution. Any such significant LICT stockholder should consult with the stockholder's own tax advisor regarding these reporting requirements. LICT and Sunshine will provide adequate information to such stockholders for this purpose.

Tax Indemnification

At the time of the distribution, Sunshine will have entered into a tax-sharing agreement with LICT setting forth each party's respective rights and obligations with respect to taxes imposed on their respective businesses both prior to and after the distribution, and taxes and other liabilities that could be imposed in connection with the distribution (and certain related transactions) if such transactions do not qualify for tax-free treatment under the Code.

No Public Trading Market for Sunshine's Stock Before or for a Period of Time after the Distribution

There is currently no trading market for the shares of Sunshine's common stock being distributed by LICT, and these shares of Sunshine are not transferable by public sale at the time of the distribution. (As noted above, however, the shares of Sunshine's common stock that were outstanding prior to the issuance to LICT of the shares being distributed will continue to trade on the Pink Sheets ®.) Each Sunshine stock certificate distributed will contain a legend limiting the transferability of the shares. Sunshine's stock transfer books will also include stop transfer instructions that reflect the transfer restrictions. Unless and until these newly-distributed shares of Sunshine's common stock are registered with the SEC and listed on an exchange or a national quotation system, or qualify for public trading under an exemption from the registration requirement, there will be no public trading market for these shares of Sunshine's common stock. In summary, the shares of Sunshine's common stock distributed to LICT's shareholders will be restricted securities and may not be sold unless registered under the Securities Act, sold privately or sold pursuant to an exemption from registration.

Distribution Conditions and Termination

Management expects that the distribution will occur on or about May 31, 2010, provided that, among other things:

- The advice of counsel received by LICT regarding the tax consequences of the distribution (and certain related transactions) continues to be satisfactory to the LICT board of directors; and
- no event or development has occurred or exists that in the judgment of LICT's board of directors, in its sole discretion, makes the distribution inadvisable.

Reason for Furnishing this Information Statement

This information statement is being furnished solely to provide information to LICT stockholders who will receive shares of Sunshine common stock in connection with the distribution. It is not provided as an inducement or encouragement to buy or sell any securities. You should not assume that the information contained in this information statement is accurate as of any date other than the date set forth on the cover. Changes to the information contained in this information statement may occur after that date, and neither LICT's nor Sunshine's management or boards of directors have an obligation or intention to update the information.

Accounting Treatment

The distribution will be accounted for by LICT as a dividend at historical cost, and no gain or loss will be recorded. In addition, we believe that LICT will not need to record income tax expense as a result of this transaction.

DIVIDEND POLICY

Initially, Sunshine has no plan or policy to pay cash dividends. Following the distribution, Sunshine's board of directors may from time to time, in its sole discretion, review this policy regarding the payment of dividends. The declaration and amount of future dividends, if any, will be determined by Sunshine's board of directors and will depend on its financial condition, earnings, capital requirements, legal and regulatory constraints, industry practice and any other factors that its board of directors believes are relevant.

CAPITALIZATION

The following table sets forth the capitalization as of December 31, 2009:

- on an actual basis for Lynch Telephone II; and
- on a pro forma basis to give effect to the pro forma adjustments included in Sunshine's unaudited pro forma condensed combined financial statements.

The pro forma adjustments are based upon available information and assumptions that management believes are reasonable; however, such adjustments are estimates and may not prove to be accurate.

You should read the information in the following table together with "Summary Historical and Pro Forma Combined Financial Data", "Management's Discussion of Operations", "Unaudited Pro Forma Condensed Combined Financial Statements" and the Lynch Telephone II financial statements, all as included elsewhere in this information statement.

As of December 31, 2009	Actual	Pro Forma (Unaudited)
Cash and cash equivalents	<u>\$ 689,949</u>	<u>\$ 935,273</u>
Long term debt	\$ --	\$ 3,662,800
Member's equity	<u>8,477,909</u>	<u>3,390,725</u>
Total capitalization	<u>\$ 8,477,909</u>	<u>\$ 7,053,525</u>

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Sunshine's unaudited pro forma condensed combined financial statements presented below have been derived from Lynch Telephone II's audited financial statements for the years ended December 31, 2009 and 2008. The pro forma adjustments to the unaudited pro forma condensed combined financial statements give effect to the transaction resulting in the acquisition of Sunshine's common stock by LICT. These unaudited pro forma condensed combined financial statements should be read in conjunction with "Management's Discussion of Operations" and the Lynch Telephone II Financial Statements, all as included elsewhere in this information statement.

The unaudited pro forma condensed combined statement of income for the years ended December 31, 2009 and December 31, 2008 have been prepared as though the distribution had occurred as of January 1, 2009 and January 1, 2008, respectively. The unaudited pro forma condensed combined statements of financial condition have been prepared as though the distribution had occurred on December 31, 2009 and December 31, 2008, respectively. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable, that reflect the expected impacts of events that are directly attributable to the distribution and related agreements, and that are factually supportable and expected to have a continuing impact on Sunshine. However, such adjustments are subject to change based on the finalization of the terms of the distribution. In addition, such adjustments are estimates and may not prove to be accurate.

The unaudited pro forma condensed combined financial statements are provided for illustrative and informational purposes only and do not reflect what Sunshine's combined financial condition and results of operations would have been had the distribution occurred at the beginning of all periods presented, and are not necessarily indicative of Sunshine's future financial condition and future results of operations.

Sunshine Unaudited Pro Forma Condensed Combined Statement of Income

For the Year Ended December 31, 2009	Actual	Pro Forma Adjustments	Pro Forma
Income Statement:			
Revenues	\$ 4,225,018		\$ 4,225,018
Operating expenses	1,484,934		1,484,934
General administrative expenses	908,581	\$ 76,122 a	984,703
Depreciation	826,611		826,611
Total expenses	<u>3,220,126</u>	<u>76,122</u>	<u>3,296,248</u>
Operating income	1,004,892	(76,122)	928,770
Investment income	358,882	(205,539) b	153,343
Interest expense		(225,407) c	(225,407)
Equity income	242,033		242,033
Net income before income tax	<u>1,605,807</u>	<u>(507,068)</u>	<u>1,098,739</u>
Income tax expense	<u>(644,665)</u>	<u>193,801 d</u>	<u>(450,864)</u>
Net income	<u>\$ 961,142</u>	<u>\$ (313,267)</u>	<u>\$ 647,875</u>

For the Year Ended December 31, 2008	Actual	Pro Forma Adjustments	Pro Forma
Income Statement:			
Revenues	\$ 4,365,358		\$ 4,365,358
Operating expenses	1,483,265		1,483,265
General administrative expenses	855,600	\$ (70,647) a	784,953
Depreciation	763,823		763,823
Total expenses	<u>3,102,688</u>	<u>(70,647)</u>	<u>3,032,041</u>
Operating income	1,262,670	70,647	1,333,317
Investment income	265,710	(102,113) b	163,597
Interest expense		(225,407) c	(225,407)
Equity income	215,816		215,816
Net income before income tax	<u>1,744,196</u>	<u>(256,873)</u>	<u>1,487,323</u>
Income tax expense	<u>(650,526)</u>	<u>98,177 d</u>	<u>(552,349)</u>
Net Income	<u>\$ 1,093,670</u>	<u>\$ (158,696)</u>	<u>\$ 934,974</u>

- a) actual expenses of Sunshine offset by elimination of management fees
b) elimination of investment income on the Notes Receivable from Brighton and LT North
c) interest expense on the bank debt at 3.75% and on the subordinated debt at 8%
d) income tax expense based on 38.2% effective tax rate for federal and state.

Sunshine Unaudited Pro Forma Condensed Combined Statement of Financial Condition

<u>For the Year Ended December 31, 2009</u>	<u>Actual</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Balance Sheet			
Assets			
Current assets	\$ 1,365,551	\$ 245,324 a	\$ 1,610,875
Property, plant and equipment, net	4,771,283	--	4,771,283
Notes receivable from affiliates	3,223,050	(3,223,050) b	--
Investments	1,141,507	--	1,141,507
Goodwill	1,772,179	--	1,772,179
Other	--	--	--
	<u>\$ 12,273,570</u>	<u>\$ (2,977,726)</u>	<u>\$ 9,295,844</u>

Liabilities and Parent's Equity			
Current liabilities	\$ 2,142,891	\$ (1,553,342) c	\$ 589,549
Deferred income taxes	1,652,770	--	1,652,770
Other liabilities	--	--	--
Long term debt	--	3,662,800 d	3,662,800
Member's equity	8,477,909	(5,087,184)	3,390,725
	<u>\$ 12,273,570</u>	<u>\$ (2,977,726)</u>	<u>\$ 9,295,844</u>

<u>For the Year Ended December 31, 2008</u>	<u>Actual</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Balance Sheet			
Assets			
Current assets	\$ 1,431,164	\$ 444,019 a	\$ 1,875,183
Property, plant and equipment, net	4,548,359	--	4,548,359
Notes receivable from affiliates	2,916,740	(2,916,740) b	--
Investments	1,046,321	--	1,046,321
Goodwill	1,772,179	--	1,772,179
Other	49,405	--	49,405
	<u>\$ 11,764,168</u>	<u>\$ (2,472,721)</u>	<u>\$ 9,291,447</u>

Liabilities and Parent's Equity			
Current liabilities	\$ 2,721,127	\$ (2,142,755) c	\$ 578,372
Deferred income taxes	1,476,869	--	1,476,869
Other liabilities	49,405	--	49,405
Long term debt	--	3,662,800 d	3,662,800
Member's equity	7,516,767	(3,992,766)	3,524,001
	<u>\$ 11,764,168</u>	<u>\$ (2,472,721)</u>	<u>\$ 9,291,447</u>

- a) combine Sunshine, primarily cash
b) eliminate Notes receivable from Brighton and Lynch Telephone North, which were cancelled on March 31, 2010
c) eliminate amounts included in Due to Affiliates and the portion of income taxes payable to Brighton
d) include bank borrowings of \$1,591,000 incurred on March 31, 2010 and \$2,071,800 of Sub debt transferred from LT North

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Lynch Telephone II, L.L.C. financial condition and results of operations should be read in conjunction with its audited consolidated financial statements and related notes, included elsewhere in this information statement.

RESULTS OF OPERATIONS

Overview

Lynch Telephone II, L.L.C. ("LT II") serves as a holding company for Inter-Community Telephone Company, L.L.C. ("ICTC") and Valley Communications, Inc. ("Valley"). Until March 31, 2010, LT II was a wholly-owned subsidiary of Lynch Telephone North LLC, ("North") which is a wholly-owned subsidiary of Brighton Communications Corporation ("Brighton"), which in turn is a wholly-owned subsidiary of LICT. ICTC is an RLEC providing regulated telephone service to approximately 2,300 access lines serving communities in southeastern North Dakota, and Valley is a CLEC which provides Internet and other non-regulated services to approximately 1,000 customers in the same and adjacent communities.

On March 31, 2010, Sunshine acquired all of the limited liability company membership interests of LT II (the "Sunshine Acquisition"). As consideration, Sunshine issued shares of its Class A common stock reflecting approximately 99% of its outstanding stock, to North. As described above, LICT now intends to distribute nearly all of these shares to its stockholders.

ICTC has a 3.4% interest in Dakota Carrier Network, LLC ("DCN") that is accounted for using the equity method. DCN is a limited liability company formed by a group of fifteen (15) independent telephone companies in North Dakota.

The telecommunications industry in general and LT II's subsidiaries face a number of economic and 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. The FCC's new National Broadband Plan ("NBP") is also likely to ultimately have a substantial impact. LT II serves very high cost areas with a significant portion of their revenues being derived from federal support mechanisms, which are referred to as Universal Service Funds ("USF"). ICTC's revenues and margins are largely dependent on the continuation and level of such support mechanisms.
- Competition - Access lines are an important element of LT II's business. Over the past several years, rural telephone companies, such as ICTC, have experienced a decline in access lines due to the effects of competition from other telecommunications providers including cable television companies, Internet, and wireless service. In addition, customers have cancelled second lines as they have switched from dial-up to DSL.
- The economy - Unemployment, building starts, business bankruptcies and the overall health of the economy have a significant effect on demand for the services of LT II's subsidiaries.
- Market challenges - LT II's subsidiaries 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.

LT II generates cash and earns telecommunications revenues primarily from local network access, intrastate and interstate access revenue and from federal USF support mechanisms. Its regulated telephone operations, revenues and operating expenses are relatively stable period to period, but are subject to increasing competitive pressures.

- 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 ICTC is on a “bill-and-keep” basis.
- Interstate Access Revenues - ICTC participates in both the common line and traffic-sensitive National Exchange Carrier Association (“NECA”) access pools. ICTC has elected to be “cost-based” and its revenues 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.
- USF subsidies - The primary drivers of USF subsidies are investments in specific types of infrastructure, as well as certain operating expenses and taxes of LT II.
- Other business revenue – LT II also provides non-regulated telecommunications related services, including Internet access service, and high speed data circuits in certain of its telephone service and adjacent areas.

The following are material opportunities, challenges and risks that LT II is 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 NBP as required by the American Recovery and Reinvestment Act. On March 16, 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. LT II 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 LT II’s revenues.
- Intercarrier Compensation and Access Charge Reform - No intercarrier compensation reform was adopted 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. Sunshine and LT II 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 LT II’s revenues.
- Loss of Access Revenues from wireless and VoIP usage – LT II 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. Sunshine and LT II are 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, LT II’s subsidiaries are installing more broadband services.

Year 2009 compared to 2008

Revenue in 2009 decreased by \$140,341, or 3.2%, compared to 2008. Regulated revenue decreased by \$197,697 primarily due to reductions in interstate revenue. Local revenue decreased by \$16,711 due to a loss of access lines partially offset by the sale of additional services and features. The decrease in access lines is due to the increase in cell phone usage and reduction in second lines as customers switch from dial-up internet service to DSL. Interstate revenue decreased by \$173,269 primarily due to a lower rate base. Intrastate revenue decreased by \$45,246 primarily due to a reduction in in-state calling and a reduction in special circuits. Non-regulated revenue increased by \$94,886 primarily due to increased Internet revenue.

Operating profit decreased by \$257,779, or 20.4%, compared to 2008, due to audit and other costs relating to the potential merger with Sunshine, as well as increased depreciation expense due to recent higher capital spending.

Investment income increased by \$93,172 due primarily to higher average loans receivable from North and Brighton, and dividends received from cellular investments, partially offset by lower interest rates and lower average cash balances.

Equity income in DCN increased by \$26,217 primarily due to growth in the state-wide network.

The income tax provision includes both federal and North Dakota state income taxes. The effective rate was 36.6% in 2009 and 37.3% in 2008. The difference between the effective rates and the federal statutory rate is primarily due to state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

In order to effectuate the Sunshine Acquisition, 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 North that was partially secured by the assets of LT II. On March 31, 2010, LT II borrowed \$1,591,000 from a bank and with the proceeds paid a \$1.5 million dividend to North. The remainder of the proceeds was used to pay expenses associated with the transaction. In addition, on March 31, 2010, subordinated notes with a balance of \$2,071,800 that were an obligation of North, were assumed by LT II. Such notes mature in 2016, at a variable rate with a range of 8% to 10%. In addition, the loan receivables with Brighton and North, the amounts included in due to affiliates, and the portion of the income tax payable due to Brighton were all cancelled.

Until March 31, 2010, LT II had no direct contractual obligations or financing commitments with banks or other financial institutions. However, all of its assets were used to secure a long-term debt facility at North. LT II paid management fees and advanced additional funds to North to support its debt service. LT II generated cash provided by operations of \$1,739,466 in 2009 and \$1,736,951 in 2008. In addition to partially funding the debt service at North, the primary need for cash is to invest in plant and equipment, which amounted to \$1,066,083 in 2009 and \$697,045 in 2008. LT II expects capital spending to approximate \$850,000 in 2010.

In September 2008, ICTC loaned \$1 million to North. The loan bears interest at 5% per annum and comes due in September each year. It was renewed in 2009 and was scheduled to come due in September 2010. Such note was cancelled in conjunction with the Sunshine Acquisition.

BUSINESS

Introduction

At the time of the distribution, Sunshine will be a combination of certain business operations and interests being spun off by LICT. LICT's executive offices are located at 401 Theodore Fremd Avenue, Rye, New York 10580. Its telephone number is 914-921-8821. At the time of the spin-off, Sunshine's executive offices will be located at 556 Main Street, Nome, ND 58062. Sunshine's telephone number will be (701) 924-8815.

SUNSHINE's Businesses

RLEC Operations

Sunshine conducts its RLEC operations through ICTC, which was incorporated in North Dakota on July 9, 1947, and has provided telephone service there continuously over the past sixty-three years. ICTC serves a total of approximately 2,300 access lines, of which some 1,560 are residential and 740 are business lines. ICTC's revenues in 2009 were approximately \$3.75 million. Its headquarters is located in Nome, ND and its service territory covers 1,760 square miles, including the counties of Barnes, Cass, Griggs, Ransom and Steele in southeastern North Dakota. Within this area, ICTC has nine exchanges located in the communities of Alice, Buffalo/Wheatland, Dazey, Hannaford, Hope, Nome/Fingal, Page, Sanborn/Rogers, and Tower City. ICTC currently employs fourteen people, including a General Manager, a Controller, an Operations Manager, one full- and one part-time Customer Service Representative, and one part-time and eight full-time Plant Technicians.

ICTC owns and provides its services over 1,660 miles of copper facilities and 269 miles of fiber optic cable, using nine switches located throughout its service territory. In recent years, it has targeted its capital expenditures to expanding the broadband capacities of its network by deploying more fiber optic cable and increasing its DSL capabilities. These efforts have been successful in increasing the number of its broadband business and ICTC now serves some 800 DSL customers. DSL revenues now are \$480,000 annually, or approximately 10% of ICTC's annual revenues.

Under North Dakota law, the North Dakota Public Service Commission does not regulate telephone companies that serve less than 8,000 access lines. However, ICTC does file an annual certificate with the NDPSB to support its status as an Eligible Telecommunications Carrier ("ETC") so that it may continue to receive USF.

ICTC also has a 3.43% ownership interest in DCN, which as noted above is a statewide telecommunications system comprised primarily of fiber optic facilities and owned by ICTC and fourteen other North Dakota RLECs. In 2009, ICTC received a total of \$153,604 in dividends from DCN. DCN provides a broad range of services to its RLEC owners, including data, voice and video transport; Signaling System 7 ("SS-7"); and data storage. DCN is a member of Indatel, a nationwide association of twenty-three statewide fiber networks owned by RLECs within each of the states involved.

CLEC Operations

Sunshine conducts its CLEC operations through Valley, primarily in the Valley City, ND area. Valley was incorporated on May 21, 1998 and provides broadband services in the form of Internet access. It has approximately 1,000 customers and serves them through both wireline and unlicensed wireless facilities. Valley's revenue in 2009 was \$630,425 and its EBITDA was \$285,033. Sunshine intends to continue to develop Valley's CLEC business.

Cellular Communications Interests

Sunshine owns minority interests in two partnerships that provide wireless cellular telephone service in RSA #3 and RSA #5 in North Dakota. These RSAs cover areas with a total population of approximately 100,000 persons. Verizon Wireless is the operating general partner in these entities.

These RSAs are accounted for on a cost basis. However, Sunshine's proportionate share of the earnings from the two operations was \$285,469 in 2009 on a combined basis and the combined book value of these entities was \$488,223 at December 31, 2009. Sunshine's proportionate shares of these operations' combined revenues and operating profits were \$684,416 and \$259,500 respectively, for the year ended December 31, 2009. The North Dakota Operations received \$138,078 in cash distributions from these investments in 2009. The wireless entities have no debt.

The NDPSA does not regulate these wireless operations. The FCC regulates the licensing, construction, modification, operation, ownership, sale and interconnection of wireless communications systems. The results in the wireless arena of the FCC's implementation of the NBP also cannot be predicted but are likely to have some effects on Sunshine's cellular interests. The current regulatory requirements are complex and subject to modification, and could increase the costs or diminish revenues of the cellular interests. Further, the FCC and state and local agencies may adopt regulations or take regulatory action that could adversely affect the cellular businesses or make cellular operations more costly or less profitable.

Wireless carriers are required to pay compensation to a wireline local exchange carrier that transports and terminates a local call which originates on the wireless carrier's network. Similarly, the wireless carrier is entitled to receive compensation when it transports and terminates a local call that originates on a wireline local exchange network. Wireless carriers negotiate interconnection arrangements for their networks with local exchange carriers, and these arrangements are subject to state approval. The FCC's interconnection rules and rulings, as well as state arbitration proceedings, will directly impact the nature and costs of facilities necessary for the interconnection of the wireless networks of the wireless partnerships with other telecommunications networks, as well as the revenues that the wireless partnerships may receive for terminating calls on their networks. For some time in the past, and now in connection with the NBP, the FCC has been considering changes to the intercarrier compensation regime. The outcome of this consideration may affect the manner in which the wireless partnerships are charged or compensated for the exchange of traffic.

The wireless partnerships are also subject to regulatory requirements including but not limited to number porting arrangements; universal service obligations; rules regarding subscriber privacy and customer proprietary network information; rules governing wireless resale and roaming obligations; rules requiring wireless service providers to configure their networks for electronic surveillance by law enforcement officials; telemarketing and truth-in-billing rules; and rules requiring that the carrier offer equipment and services that are accessible to and usable by persons with disabilities. Some of these requirements pose technical and operational challenges to which the wireless partnerships, and the industry as a whole, have not yet developed clear solutions. Moreover, many of these requirements are likely to be affected by the implementation of the NBP, and some are currently the subject of pending FCC or judicial proceedings. It is not possible at the current time to predict what changes will actually occur or how any that do occur will affect Sunshine's business, financial condition or results of operation.

Although the FCC preempts states from regulating rates or entry into commercial mobile radio service, a state may impose regulations and requirements on wireless carriers in certain respects. States may manage public rights of way and can require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis, for the use of such rights of way. States may also impose competitively neutral requirements that are necessary for universal service, to protect the public safety and welfare, to ensure continued service quality and to safeguard the rights of consumers.

The cellular licenses held by the wireless partnerships are subject to renewal upon the expiration of the initial period for which they were granted, which is October 2010.

The FCC will award a renewal expectancy to a wireless licensee that has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act, all of which are true of Sunshine's wireless interests. Sunshine expects that these wireless licenses will be renewed by the FCC.

Real Estate Properties

Sunshine's real estate properties consist of the holdings of ICTC, which owns a total of twelve (12) acres of land at ten (10) separate sites, most of which are small installations used to house switches. ICTC's principal holding is its main office at Nome, ND, which contains 4,326 square feet of office and storage space. In addition, ICTC has 4,400 square feet of garage space and a total of 5,035 square feet utilized for its switching facilities. All of these properties are encumbered under mortgages held by CoBank.

Legal Proceedings

None.

ARRANGEMENTS BETWEEN LICT AND SUNSHINE

Separation and Distribution Agreement

The major terms of the Separation and Distribution Agreement provide that LICT and Sunshine release one another from, and shall indemnify one another for, any claims relating to their respective businesses after the distribution (other than any claims that may arise under the Tax-Sharing Agreement). This agreement also provides that the parties will cooperate with one another in fully effectuating the distribution and any related transactions. The agreement further provides that Sunshine's employees will continue their employment without interruption and at their current compensation, and that Sunshine will assume responsibility for their welfare plans and benefits.

Tax-Sharing Agreement

The Tax-Sharing Agreement sets forth LICT's and Sunshine's respective rights and obligations relating both to taxes imposed on their respective businesses prior to and after the distribution, and to taxes and other liabilities that could be imposed in connection with the distribution (and certain related transactions) if such transactions do not qualify for tax-free treatment under the Code.

MANAGEMENT

Directors and Executive Officers

Sunshine's initial board of directors is composed of David S. Ahl, who also serves as the Chief Executive Officer, Charles C. Baum, Timothy Foufas, Michael Gabelli, and Robert S. Zuccaro. The By-laws of Sunshine permit both the board of directors and stockholders to change the number of directors which shall comprise the board, and the size of the board was expanded from one to five directors by a resolution dated May 5, 2010, adopted by the sole director at that time, Mr. Ahl. The four new directors were elected in that same resolution, and the board as presently constituted presents a broad range of diversity among the directors in terms of their educational backgrounds, business experience and professional expertise.

Mr. Ahl has been Sunshine's Chairman and CEO for more than five years. He is familiar with Sunshine's operating assets in North Dakota and has had substantial experience in the telecommunications industry, from both wireline and wireless perspectives. He also has an extensive marketing background as well as general management experience.

Mr. Baum is an attorney with substantial experience in corporate governance and management. He is President and a director of United Holdings Co., Inc., a firm based in Baltimore, MD which concentrates on investments in real estate and securities. He is also a director of Shapiro Robinson & Associates, a firm representing professional athletes; Municipal Mortgage and Equity, LLC, a company engaged in the business of mortgage financing; and GGCP, Inc. ("GGCP"), a privately-held investment company which holds a majority interest in GAMCO Investors, Inc. ("GAMCO"), a New York Stock Exchange ("NYSE") listed company providing investment services.

Mr. Foufas also has extensive financial and corporate governance experience. He is Managing Partner, Plato Foufas & Co., Inc., a Chicago-based acquisition and financial services firm which provides development, institutional and private equity financing for real estate and other investments. He is also President of Levalon Properties LLC, a real estate property management firm, and from 2000-2005 served as Director of Investments for Liam Ventures, Inc., a private equity investment company. In addition, he currently serves as non-executive Vice Chairman of LGL Group, Inc., a manufacturer of engineered electronic products.

Mr. Gabelli currently serves as Senior Vice President of Investment Management and Research at GGCP, where he leads research and investment projects and is also responsible for asset allocation and relationship management. Prior to this, he served as Vice President of Sales and Marketing at GAMCO, and he has had extensive experience in equity research and analysis across a number of industries.

Mr. Zuccaro currently serves as Managing Director and Chief Financial Officer of Commonwealth Management Partners LLP, a privately-held business advisor to private wealth management investors, including investment partnerships. Previously, from 2003-2009, he served as Executive Vice President and Chief Accounting Officer of National Financial Partners Corp., an NYSE-listed distributor of financial services to high net worth individuals and corporations. Prior to joining National Financial Partners, from 1998-2003, Mr. Zuccaro served as Chief Financial Officer of GAMCO. He is a certified public accountant.

Upon the completion of the distribution, Sunshine's board of directors will consider whether to establish audit, compensation and/or governance committees, and may consider any other governance or structural actions which the board determines to be appropriate.

At the time of distribution, Sunshine and the ND Operations are expected to have executive officers performing day-to-day management functions, and approximately ten other employees who will carry on their businesses. These executives and the other employees have had substantial training and experience in the telecommunications industry, as well as long service with Sunshine's operating entities in most cases. However, none of these executives or employees is subject to an employment contract and may leave their current positions at any time without notice. LICT and Sunshine do not expect that such departures are likely to occur, however, and will attempt to recruit replacement management employees promptly if they do.

DESCRIPTION OF CAPITAL STOCK AND GOVERNANCE

The following is a summary description of Sunshine's capital stock and governance provisions. This description is not complete, and is qualified in its entirety by the full text of the Company's Certificate of Incorporation and By-laws. You should read the full text of the Certificate of Incorporation and By-laws, as well as the provisions of applicable Delaware law. These documents are available on Sunshine's website, at www.sunshinepcs.com.

General

The Company is authorized under its Certificate of Incorporation to issue twenty million (20,000,000) shares of common stock, par value \$0.0001 per share. Upon completion of the distribution, management expects that there will be approximately 324,500 shares of Sunshine common stock outstanding.

Common Stock

Voting Rights. At any meeting of the stockholders, every registered owner of shares entitled to vote may vote in person or by proxy and, except as otherwise provided by statute, the Certificate of Incorporation or the By-laws, shall have one vote for each such share. Except as otherwise required by statute, the Certificate of Incorporation or the By-laws, all elections of directors shall be decided by a plurality of votes cast, and all other matters shall be decided by a majority of the votes cast.

Dividends. The Company does not have a plan to pay any cash dividends initially. Its board of directors may review this policy from time to time and, if deemed appropriate, may amend or modify it in the future.

Upon completion of the distribution, all the outstanding shares of common stock will be validly issued, fully paid and nonassessable.

Election of Directors

Sunshine's By-laws provide that directors shall be elected at each annual stockholders meeting by a plurality of the votes cast and shall hold office for a term expiring at the next annual meeting of stockholders, with each director to hold office until his or her successor has been duly elected and qualified. All vacancies on the board of directors, including those created by an increase in the size of the board, may be filled by vote of the remaining directors, even if less than a quorum.

Amendments to By-laws

Sunshine's Certificate of Incorporation and By-laws provide that the board of directors shall have the power to make, alter or repeal the By-Laws of the corporation, subject to the power of the stockholders to alter or repeal the By-Laws made or altered by the board of directors.

Special Stockholder Meetings

Sunshine's By-laws provide that special meetings of its stockholders may be called by its president, the Board of Directors or by written request of the stockholders owning a majority of the outstanding shares.

No Cumulative Voting for Directors

Sunshine's Certificate of Incorporation and By-laws do not provide for cumulative voting in the election of directors.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

Limitation of Liability of Directors

Sunshine's Certificate of Incorporation and By-laws limit the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of their fiduciary duties as directors, except for liability:

- for any breach of their duty of loyalty to the corporation or its stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- under Section 174 of the Delaware General Corporation Law relating to unlawful payments of dividends or unlawful stock repurchases or redemptions; and
- for any transaction from which the director derived an improper personal benefit.

The limitation of liability does not apply to liabilities arising under the federal or state securities laws and does not affect the availability of equitable remedies, such as injunctive relief or rescission.

Indemnification of Officers and Directors

Sunshine's Certificate of Incorporation and By-laws provide that each person who was or is a director or officer shall be indemnified to the fullest extent permitted by Delaware law, including those circumstances in which indemnification would otherwise be discretionary, and requires that Sunshine advance expenses to its officers and directors as incurred in connection with proceedings against them for which they may be indemnified.

At the time of the distribution, Sunshine intends to have directors and officers liability insurance for the benefit of its directors and officers.

WHERE YOU CAN FIND MORE INFORMATION

For further information with respect to Sunshine's business and common stock being received by holders of LICT common stock in the distribution, please refer to Sunshine's website at www.Sunshineinc.com, or contact LICT at 401 Theodore Fremd Avenue, Rye, New York 10580 or by telephone at (914) 921-8821. While this information statement has provided a summary of the material terms of certain agreements and other documents, the summary does not describe all of the details of the agreements and other documents. Each statement in this information statement regarding an agreement or other document is qualified in all respects by and subject to the terms of such agreement or other document. These documents will be available to Sunshine stockholders upon request following the distribution, and in most cases will also be available on LICT's and/or Sunshine's website.

Sunshine intends to furnish its stockholders with annual reports containing consolidated financial statements (beginning with the year ending December 31, 2010), audited, and with an opinion expressed by, an independent registered public accounting firm.

You should rely only on the information contained in this information statement and other documents referred to in this information statement. Neither Sunshine nor LICT has authorized anyone to provide you with other information or information that is different from that contained herein. This information statement is being furnished by LICT solely to provide information to LICT stockholders who will receive Sunshine common stock in the distribution. It is not, and it is not to be construed as, an inducement or encouragement to buy or sell any securities of LICT or Sunshine. Sunshine and LICT believe that the information presented herein is accurate as of the date hereof, but as noted above, it is to be expected that changes will occur after the date of this information statement. However, as also noted above, neither Sunshine nor LICT is obligated to nor intends to update the information.



LYNCH TELEPHONE II, LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

LYNCH TELEPHONE II, LLC AND SUBSIDIARIES

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors and Stockholders
Lynch Telephone II, LLC and Subsidiaries:

We have audited the accompanying consolidated balance sheet of Lynch Telephone II, LLC and subsidiaries (the Company) as of December 31, 2009, and the related consolidated statements of income and changes in member's equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of the Company as of December 31, 2008, were audited by other auditors whose report thereon dated April 30, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

May 14, 2010

LYNCH TELEPHONE II, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2009 and 2008

Assets	2009	2008
Current assets:		
Cash and cash equivalents	\$ 689,949	787,595
Accounts receivable, less allowance of \$1,000 in 2009 and in 2008	441,558	432,265
Restricted deferred compensation – current portion	53,958	49,405
Deferred income taxes	82,701	79,343
Other current assets	97,385	82,556
Total current assets	<u>1,365,551</u>	<u>1,431,164</u>
Property, plant and equipment-at cost:		
Land	13,266	13,266
Building	1,089,606	1,087,081
Plant and equipment	17,204,801	16,269,683
	<u>18,307,673</u>	<u>17,370,030</u>
Accumulated depreciation	<u>(13,536,390)</u>	<u>(12,821,671)</u>
Total property, plant and equipment-net	<u>4,771,283</u>	<u>4,548,359</u>
Notes receivable from affiliates	3,223,050	2,916,740
Investments	1,141,507	1,046,321
Goodwill	1,772,179	1,772,179
Restricted deferred compensation – net of current portion	<u>—</u>	<u>49,405</u>
Total	<u>\$ 12,273,570</u>	<u>11,764,168</u>

See accompanying notes to consolidated financial statements.

LYNCH TELEPHONE II, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2009 and 2008

Liabilities and Member's Equity	2009	2008
Current liabilities:		
Trade accounts payable	\$ 123,403	150,198
Accrued expenses and other liabilities	378,624	369,269
Due to affiliates	639,615	1,411,027
Income taxes payable	947,291	741,228
Deferred compensation – current portion	53,958	49,405
Total current liabilities	2,142,891	2,721,127
Deferred income taxes	1,595,511	1,476,869
Deferred compensation – net of current portion	—	49,405
Total liabilities	3,738,402	4,247,401
Member's equity	8,535,168	7,516,767
Total	\$ 12,273,570	11,764,168

LYNCH TELEPHONE II, LLC AND SUBSIDIARIES
Consolidated Statements of Income and Changes in Member's Equity
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues	\$ 4,225,018	4,365,358
Costs and expenses:		
Operating expenses (excluding depreciation related to network assets included below)	1,484,934	1,483,265
General and administrative expenses	908,581	855,600
Depreciation	826,611	763,823
Total costs and expenses	<u>3,220,126</u>	<u>3,102,688</u>
Operating income	1,004,892	1,262,670
Other income:		
Investment income	358,882	265,710
Equity in earnings of investee	242,033	215,816
Total other income	<u>600,915</u>	<u>481,526</u>
Income before income taxes	1,605,807	1,744,196
Income tax expense	<u>(587,406)</u>	<u>(650,526)</u>
Net income	<u>\$ 1,018,401</u>	<u>1,093,670</u>
Member's equity, at beginning of year	\$ 7,516,767	6,423,097
Net income	<u>1,018,401</u>	<u>1,093,670</u>
Member's equity, at end of year	<u>\$ 8,535,168</u>	<u>7,516,767</u>

See accompanying notes to consolidated financial statements.

LYNCH TELEPHONE II, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2009 and 2008

	2009	2008
Cash flow from operating activities:		
Net income	\$ 1,018,401	1,093,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	826,611	763,823
Deferred income taxes	115,335	135,453
Equity in earnings of investee	(242,033)	(215,816)
Cash distribution from equity investment	153,603	—
Interest accrued on note receivable from affiliate	(206,310)	(153,650)
Patronage income, equity	(6,756)	(18,254)
Changes in operating assets and liabilities:		
Payment of restricted deferred compensation	(49,405)	(64,752)
Increase in accounts receivable	(9,293)	(24,652)
Increase (decrease) in income tax payable	206,063	(149,927)
Decrease (increase) in due to affiliates	(52,371)	287,707
Increase in accounts payable and accrued expenses	(892)	59,976
Other	(13,487)	23,373
Net cash provided by operating activities	1,739,466	1,736,951
Cash flow from investing activities:		
Purchases of property, plant and equipment	(1,066,083)	(697,045)
Proceeds from the sale of property, plant and equipment	—	14,877
Proceeds received from investments	—	4,833
Recovery of restricted cash	49,405	64,752
Loan to parent	(100,000)	(1,000,000)
Net cash used in investing activities	(1,116,678)	(1,612,583)
Cash flow from financing activities:		
Repayments of an affiliated company's loans	(720,434)	(709,487)
Net decrease in cash and cash equivalents	(97,646)	(585,119)
Cash and cash equivalents – beginning-of-year	787,595	1,372,714
Cash and cash equivalents – end-of-year	\$ 689,949	787,595
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes, including amounts paid to parent in lieu of income taxes	\$ 272,346	665,000
Noncash transaction :		
Property additions included in accounts payable at year-end	—	16,548

See accompanying notes to consolidated financial statements.

LYNCH TELEPHONE II, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(1) **Organization**

Lynch Telephone II, LLC (the Company) serves as a holding company for Intercommunity Telephone Company LLC (Intercommunity) and Valley Communications, Inc. (Valley). The Company is a 100% owned subsidiary of Lynch Telephone North LLC (the Parent), which is a 100% owned subsidiary of Brighton Communications Corporation (Brighton), which is a 100% owned subsidiary of LICT Corporation (LICT), the Company's ultimate parent (see note 9). Intercommunity is a rural independent local telephone company (RLEC) serving communities in southeastern North Dakota providing regulated telephone service and Valley provides internet and other nonregulated services. The Company operates in one business segment, telecommunications.

(2) **Significant Accounting Policies**

(a) *Regulatory Accounting*

Intercommunity's public utility activities are regulated by the Federal Communications Commission (FCC). The North Dakota Public Service Commission does not regulate RLEC's with fewer than 8,000 access lines, such as Intercommunity. The Company follows the accounting principles prescribed by the Uniform System of Accounts of the FCC and accounting guidance for regulated companies.

Where applicable, this regulated accounting recognizes the economic effects of rate regulation by recording costs and a return on investment; as such, amounts are recovered through rates authorized by regulatory authorities. Accordingly, the Company is required to depreciate telephone plant over useful lives that would otherwise be determined by management. Criteria that would give rise to the discontinuance of regulatory accounting practices include (1) increasing competition restricting the Company's wireline businesses' ability to establish prices to recover specific costs and (2) significant changes in the manner in which rates are set by regulators from cost based regulation to another form of regulation. The Company periodically reviews the applicability of regulatory accounting guidelines based on the developments in its current regulatory and competitive environments.

(b) *Basis of Presentation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and accounts have been eliminated in the consolidated statements. The Company has evaluated subsequent events through May 14, 2010 the date the financial statements were issued.

(c) *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

LYNCH TELEPHONE II, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(d) Concentrations of Risks

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents. Management believes the financial risks associated with these financial instruments are minimal.

In 2009, the Company received \$1,318,739, or 31% of its revenue from NECA and the Federal Universal Service Fund.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments with original maturities of three months or less. Cash deposits did not exceed the \$250,000 Federal Deposit Insurance Corporation (FDIC) limits at December 31, 2009 or 2008 at any financial institution.

(f) Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(g) Investments

Investments of less than 20% of the voting control of the investee are generally carried at cost. The equity method is used if the investment represents between 20% and 50% of the voting control of the investee, or if the investee is a partnership or similar entity, or if the Company has the ability to significantly influence financial and operating policies. Under the equity method, the Company adjusts the carrying value of the investment for its proportional share of any income or losses of the investee.

(h) Property, Plant and Equipment

Telecommunications plant in service and other property are capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes, and employee benefits.

Depreciation is computed on a straight-line method over the estimated useful lives of the depreciable assets using class or overall group rates approved by Intercommunity's state commission, and range from 2.5% to 20% as follows:

<u>Description</u>	<u>Life (years)</u>
Buildings	30 – 40
Machinery and equipment	7 – 40
Other assets	5 – 15

Replacements and betterments of units of property are charged to property, plant and equipment. The original cost of depreciable property retired, together with removal costs less any salvage realized, is

LYNCH TELEPHONE II, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

charged to accumulated depreciation in accordance with regulated accounting procedures. No gains or losses are recognized in connection with routine retirements of depreciable property. Repairs and renewals of minor items of property are expensed as incurred.

(i) Goodwill

Goodwill is tested annually for impairment, or more frequently if deemed necessary. The Company tests goodwill for impairment using a two-step process. The first step is a screen for potential impairment in which the Company determines its fair value based on a number of subjective factors, including: (a) appropriate weighting of valuation approaches (income approach, market approach and comparable company approach), (b) estimates of our future cost structure, (c) discount rates for our estimated cash flows, (d) selection of peer group companies for our market approach, (e) required level of working capital, (f) assumed terminal value, and (g) time horizon of cash flow forecasts. There were no accumulated impairment losses at December 31, 2008 or 2009. The Company estimates the fair value using Level 3 inputs as defined in the fair value hierarchy (see note 6).

If such tests indicate potential impairment, due to the carrying value of the reporting unit exceeding its fair value, then a second step measures the amount of impairment, if any. The Company performed the required annual tests as of September 30, 2009, and determined that there was no impairment at that time.

(j) Impairment of Long-Lived Assets

Long lived assets, such as telecommunications plant, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. There were no asset impairments recorded during the years ended December 31, 2009 and 2008.

(k) Income Taxes

As prescribed under a tax sharing agreement between LICT and its subsidiaries, the Company files a consolidated federal income tax return with LICT. For state purposes, the Company files on a standalone basis. All income taxes reflected by the Company have been computed on a separate return basis. The Company follows the liability method of accounting for income taxes, under which deferred income tax assets and liabilities are determined based on the difference between financial reporting and income tax bases of assets and liabilities using the enacted marginal tax rates and laws expected to be in effect when the differences are expected to reverse. Temporary differences result primarily from depreciation and certain accruals.

The Company adopted the accounting guidance applicable to uncertainty in income taxes effective January 1, 2007 with no impact on its results of operations or financial condition, and have analyzed filing positions in the federal and North Dakota income tax returns as well as all open tax years in

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these jurisdictions. Such guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. It prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, it provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company had no unrecognized tax benefits as of December 31, 2009 or December 31, 2008. The Company recognizes tax liabilities and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined. The Company does not anticipate any unrecognized tax benefits over the next twelve months.

The Company's policy is to classify interest and penalty expense associated with unrecognized tax benefits as income tax expense in the statement of income. There were no interest or penalties accrued as of the date of adoption and no interest or penalties were accrued during the year ended December 31, 2009 or 2008.

LICT's consolidated federal income tax return remains subject to examination by the Internal Revenue Service for tax years 2006 and after. The Company's North Dakota state income tax return is subject to examination by tax authorities for the same years.

(l) Revenue Recognition

Telephone service revenue is primarily derived from regulated local, intrastate and interstate access services and recognized as services are provided.

Local access revenues come from providing local telephone exchange services and is billed to local end-users in advance in accordance with tariffs approved by the state regulatory commission. Such advance billings are initially deferred and recognized as revenue when earned.

Revenue that is billed in arrears includes nonrecurring intrastate and interstate network access services, nonrecurring local services and long distance services. The earned but unbilled portion of this revenue is recognized as revenue in the period that the services are provided.

Revenue from intrastate access is based on tariffs approved by the state regulatory commission. Revenue from interstate access is derived from settlements with NECA. NECA was created by the FCC to administer interstate access rates and revenue pooling on behalf of local exchange carriers who elected to participate in a pooling environment. Interstate settlements, including amounts received under Universal Service Fund mechanisms, are determined based on the Company's cost of providing telecommunications service, including investments in specific types of infrastructure and operating expenses and taxes.

Interstate access revenue recognition is based on management's estimate of the final earning settlement of the NECA pools. For the NECA Common Line pool, the 2009 and 2008 rates-of-return are expected to equal the authorized rate-of-return of 11.25%; therefore, interstate revenues were

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increased to reflect the additional revenues which are expected to be received from NECA once the Common Line pool settlements are finalized. For the NECA Traffic Sensitive pool, for both 2009 and 2008, the estimated rates-of-return are expected to be below the current pool earning levels; therefore, interstate revenues were reduced. As a result, the Company has reduced revenues and recognized a liability of \$56,642 and \$41,674 as of December 31, 2009 and 2008, respectively.

Other ancillary revenues, derived from the provision of directory advertising and billing and collection services, are recognized as services are provided based on the rates under the respective contract. Non-regulated operations are included in other income in the accompanying consolidated statements of income and changes in member's equity.

(3) Investments

Investments consist of the following at December 31:

	2009	2008
Dakota Carrier Networks, LLC	\$ 986,109	897,680
Other	155,398	148,641
	\$ 1,141,507	1,046,321

Intercommunity uses the equity method of accounting for its investment in Dakota Carrier Network, LLC (DCN). DCN is a limited liability company formed by a group of 15 independent telephone companies in North Dakota. DCN paid Intercommunity \$253,289 and \$200,131 for the use of Intercommunity's network during 2009 and 2008, respectively, which is recorded in revenues in the consolidated statements of income and changes in member's equity.

Other includes investments in cooperatives carried at cost.

(4) Income Taxes

Components of income tax expense at December 31 are as follows:

	2009	2008
Current expense:		
Federal	\$ 385,358	424,770
State	86,713	90,303
	472,071	515,073
Deferred expense:		
Federal	90,417	112,683
State	24,918	22,770
	115,335	135,453
Total income tax	\$ 587,406	650,526

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Deferred income taxes are provided for the temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities. The tax effects of all temporary differences that give rise to the net deferred tax liability at December 31 are as follows:

	2009	2008
Restricted deferred compensation	\$ 20,623	18,917
Vacation and compensated absences	61,695	60,043
Other	383	383
Deferred current income tax assets	\$ 82,701	79,343
Depreciation and amortization	\$ 1,510,344	1,356,043
DCN book income in excess of tax income	170,480	145,729
Other reserves and accruals	(85,313)	(24,903)
Deferred long term income tax liability	\$ 1,595,511	1,476,869

A reconciliation of the provision (benefit) for income taxes and the amount computed by applying the statutory federal income tax rate to income before income taxes:

	2009	2008
Tax at statutory rate	\$ 545,974	593,027
State taxes	67,829	74,826
Other	(26,397)	(17,327)
	\$ 587,406	650,526

(5) Deferred Compensation

Intercommunity has a deferred compensation agreement with a former employee. The Company has deposited certain monies with the National Telephone Cooperative Deferred Compensation Program and Equitable Life Assurance Society to provide the necessary funds to meet these obligations as they become payable. The Company is under a contractual obligation to make the deferred compensation payments to the recipients when due under the agreements, equal to the amounts received from recipients plus accrued interest. The amounts in the account are not held in trust. At December 31, 2009 and 2008 the amounts on deposit were \$53,958 and \$98,810, respectively.

(6) Fair Value Measurement

Effective January 1, 2008, the Company adopted the authoritative guidance for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Effective January 1, 2009, the Company adopted the same authoritative guidance for fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, or are presented only in disclosures. Current authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that

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prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in inactive markets. Level 3 inputs are unobservable.

US Treasury bills, valued at \$593,720 at December 31, 2009, included in cash and cash equivalents in the Balance Sheet, are classified as Level 1 inputs, because they are valued using quoted market prices.

Cash, trade accounts receivable, short-term borrowings, trade accounts payable and accrued liabilities are carried at cost, which approximates fair value due to the short-term maturity of these instruments.

(7) Employee Savings and Retirement Plan

Intercommunity participates in a multi-employer pension plan sponsored by the National Telephone Cooperative Association covering substantially all of its employees. In this master multi-employer plan, the accumulated benefits and plan assets are not determined or allocated separately by individual employee. In 2009 and 2008, Intercommunity made contributions to the plan and recorded compensation expense in the amounts of \$77,346 and \$78,066, respectively.

In addition, Intercommunity has a profit sharing plan which covers all of its employees. The Board of Directors annually determines the amount of the contribution to such plan, which was \$43,066 and \$42,855 in 2009 and 2008, respectively.

(8) Related Party Transactions

Brighton provides certain management services to Intercommunity and Valley, which include executive, financial and accounting, planning, budgeting, tax, legal and insurance services. The costs associated with these services, which are included in general and administrative expenses, in 2009 and 2008 were \$147,408 and \$143,928, respectively. See Subsequent Events note 9.

At December 31, 2009 and 2008, assets of \$593,720 and \$622,138, respectively that are classified as cash and cash equivalents are invested in United States Treasury money market funds, for which affiliates of the Company serve as investment managers. See Subsequent Events note 9.

Intercommunity has a note receivable from Brighton in the amount of \$2,056,468 and \$1,904,137 at December 31, 2009 and December 31, 2008, respectively. The note bears interest at 8% per annum, paid in kind, and comes due on December 31, 2010. It is the intent of the parties that, at the due date, this note will be extended for another year at the same terms. In 2009 and 2008, the Company accrued \$152,331 and \$141,047 respectively, in interest income related to this note. See Subsequent Events note 9.

Intercommunity loaned \$1,000,000 to Lynch Telephone North on September 26, 2008 and loaned \$100,000 on June 22, 2009. The notes bear interest at 5% per annum and come due on September 26, 2010 and June 22, 2010, respectively. It is the intent of the parties that, at the due date, such notes will be extended for another year at the same terms. The Company accrued \$53,979 and \$12,603 in interest income related to these notes in 2009 and 2008, respectively. See Subsequent Events note 9.

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The Company's outstanding income tax payable is primarily due to Brighton. The outstanding payables do not have established due dates or repayment terms. Repayment is based upon the cash needs of the Parent and the cash availability at the Company. See Subsequent Events note 9.

Due to Affiliates included in current liabilities result from various transactions with the Company's various parent companies without established due dates or repayment terms. Repayment is based upon the cash needs of the various parent companies and the cash availability at the Company. See Subsequent Events note 9.

(9) Subsequent Events

On March 31, 2010, Sunshine PCS Corporation (Sunshine) acquired all of the interests of the Company. As consideration, Sunshine issued shares of its Class A common stock reflecting approximately 99% of its outstanding stock, to Lynch Telephone North. After internal distributions, LICT intends to distribute such shares to its shareholders in the form of a dividend.

In order to effectuate the acquisition by Sunshine, LICT paid-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. On March 31, 2010, the Company borrowed \$1,591,000 from a bank and with the proceeds paid a \$1.5 million dividend to Lynch Telephone North. The remainder of the proceeds was used to pay expenses associated with the transaction. In addition, on March 31, 2010, subordinated notes with a balance of \$2,071,800 that were an obligation of Lynch Telephone North, were assumed by the Company. Such notes mature in 2016, at a variable rate with a range of 8% to 10%. In addition, the loan receivables with Brighton and Lynch Telephone North, the amounts included in due to affiliates, and the portion of the income tax payable due to Brighton were all cancelled (see note 7).