

SPIN-OFF TAX BASIS ALLOCATION

September 29, 1999

To the Shareholders of Lynch Corporation common stock:

As owners of Lynch Corporation ("Lynch") common stock, you have recently received a special distribution of 1 (one) share of Lynch Interactive Corporation ("Interactive") common stock for each 1 (one) share of Lynch common stock owned as of the record date of August 23, 1999 ("Spin-off").

The distribution and the Federal income tax consequences of the distribution are fully discussed in the Information Statement dated August 19, 1999.

Lynch has received a ruling from the Internal Revenue Service that the distribution of the Interactive stock will be tax-free for U.S. Federal income tax purposes for Lynch stockholders who are United States citizens or residents. The Federal income tax basis of your Lynch common stock will, however, have to be apportioned between your Lynch common stock and the Interactive common stock based on their relative fair market values on the date of the distribution. The values of the Lynch common stock and the Interactive common stock may be determined by reference to the average trading prices for each company for the first five business days reflecting the Spin-off. Based on this methodology, the fair market value of one share of Lynch common stock was \$33.0667 and the fair market value of one share of Interactive was \$50.4768. **Accordingly, your aggregate income tax basis in Lynch common will be apportioned 39.58% to your Lynch common stock and 60.42% to the Interactive common stock you received as a result of the distribution.** You should consult your tax adviser regarding the application of this apportionment calculation to your particular circumstances.

The apportionment calculation may be illustrated as follows: Suppose you own 100 shares of Lynch common stock with a \$30 tax basis for a total basis of \$3,000. Upon receipt of 100 shares of Interactive common stock, your aggregate basis in the shares of Lynch common stock would be reduced to approximately \$1,187 (39.58% of \$3,000), or \$11.87 per share (\$1,187 divided by 100 shares). Your aggregate basis in the share of Interactive common stock would be approximately \$1,813 (\$3,000 less \$1,187), or \$18.13 per share (\$1,813 divided by 100 shares).

Since tax matters are involved, Lynch cannot provide you with tax advice. We suggest that you contact your tax adviser or the Internal Revenue Service concerning how this information should be used for income tax purposes.

The information in this document represents our understanding of Federal income tax laws and regulations, and does not constitute tax advice. It does not purport to be complete or to describe the consequences that may apply to particular categories of share owners. You should consult your own tax adviser regarding the calculation of your tax basis.

In order to assist you in further complying with the requirements of the Internal Revenue Service, we are attaching a form of statement to be completed by you and filed with your Federal income tax return.

INFORMATION STATEMENT TO THE INTERNAL REVENUE SERVICE

Statement of stockholder receiving a distribution of stock
of Lynch Interactive Corporation (a controlled corporation),
pursuant to Treasury Regulation Section 1.355-5(b)

1. The undersigned, a stockholder owning shares of Lynch Corporation common stock as of the August 23, 1999 record date, received a distribution of common stock of Lynch Interactive Corporation, a controlled corporation, pursuant to Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").
2. The names and addresses of the corporations involved are:
 - (1) Lynch Corporation
401 Theodore Fremd Avenue
Rye, New York 10580
 - (2) Lynch Interactive Corporation
401 Theodore Fremd Avenue
Rye, New York 10580
3. No stock or securities of Lynch Corporation were surrendered by the undersigned.
4. The undersigned received _____ shares of Lynch Interactive Corporation common stock.
5. Lynch Corporation has received a private letter ruling from the Internal Revenue Service which states that the distribution of shares of Lynch Interactive Corporation common stock qualifies as a tax-free distribution under Section 355 of the Code.

Date

Signature of Stockholder