

BUSINESS

Introduction

CIBL, Inc. (“CIBL” or the “Company”) is a combination of certain business operations and interests that were spun off by LICT Corporation (“LICT”) on November 19, 2007 (the “Spin-off” or “Distribution”). CIBL trades on the Pink Sheets under the symbol CIBY. CIBL’s operating business was Giant Communications, LLC (“Giant”), which owns and operates cable television systems in northeast Kansas. On May 20, 2010, CIBL sold Giant to LICT for \$2.1 million. CIBL owns non-controlling interests in WHBF-TV, a CBS network affiliate which serves the “Quad Cities” market of Rock Island and Moline, Illinois, and Davenport and Bettendorf, Iowa; and in WOI-TV, an ABC network affiliate which serves the Ames/Des Moines, Iowa market. CIBL also owned non-controlling interests in certain entities that provide cellular telephone service in two rural service areas (referred to as “RSAs”) in New Mexico. Such RSAs were sold to Verizon in May 2012 for \$30 million plus working capital adjustments. In addition, CIBL owns 10,000 shares of common stock of Solix, Inc. (“Solix”), formerly NECA Services, Inc., an outsourcing firm that provides, among other services, billing and collection services to the telecommunications industry. Finally, CIBL holds a promissory note due a subsidiary of LICT.

Cellular Communications

Cellular Interests in New Mexico RSAs #3 and #5. As noted above, the interest in the RSAs were sold to Verizon Wireless in May 2012. CIBL owned, through its ownership of Wescel Cellular, Inc. and Wescel Cellular II, Inc., non-controlling interests in two partnerships that provide wireless cellular telephone service in RSA #3 and RSA #5 in New Mexico. These RSAs cover areas with a total population of approximately 160,000 persons. Verizon Wireless is the operating general partner in these entities.

Equity in earnings from these two operations was \$6.7 million and \$5.0 million in 2011 and 2010, respectively. CIBL’s proportionate share of these operations’ combined book value was \$7.0 million at December 31, 2011 and its proportionate shares of combined revenues and operating profits were \$12.1 million and \$3.8 million, respectively, for the year ended December 31, 2011. CIBL received \$2.6 million in cash distributions, net of cash paid to non-controlling interests, from these investments in 2011. At December 31, 2011, the entities have \$5.6 million in cash. CIBL’s proportional share of such cash is \$1.1 million. Management concluded that a sale of the RSA’s would be in the best interest of CIBL’s shareholders.

Regulation. The FCC regulates the licensing, construction, modification, operation, ownership, sale and interconnection of wireless communications systems, as do some state and local regulatory agencies. These requirements are often complex 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.

The FCC requires wireless carriers to make available enhanced 911 services that provide the caller’s telephone number and detailed location information to emergency responders, as well as a requirement that emergency 911 services be made available to users with speech or hearing disabilities. In 2007, the FCC adopted a requirement imposing more stringent location accuracy capabilities on wireless carriers. These new requirements must be complied with no later than September 11, 2012.

Wireless carriers are required to pay compensation to a wireline local exchange carrier that transports and terminates a local call that 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; these arrangements are subject to state approval. The FCC's interconnection rules and rulings, as well as state arbitration proceedings, may impact the nature and costs of facilities necessary for the interconnection of the wireless networks of our wireless partnerships with other telecommunications networks, as well as the revenues that our wireless partnerships may receive for terminating calls on their networks. The FCC is currently considering changes to the intercarrier compensation regime, and the outcome of such proceedings 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 a number of other legal and regulatory obligations, including but not limited to telephone number porting requirements, 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, among others. Some of the requirements pose technical and operational challenges to which the wireless partnerships, and the industry as a whole, have not yet developed clear solutions. Some of these requirements are the subject of pending FCC or judicial proceedings, and CIBL is unable to predict how the outcome of these proceedings may affect its 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 in 2017 and 2020 upon the expiration of the 10-year period for which they are granted. 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 legal requirements.

Cable Communications

As noted above, Giant was sold to LICT on May 20, 2010. Giant owns and operates cable television systems that, at December 31, 2009, served 1,790 cable television subscribers and 775 high-speed data subscribers in northeast Kansas. Giant provides multichannel video service and, in some cases, cable modem service to 10 communities through one head-end, and completed the upgrade of its distribution plant in 2009.

Competitive pressures and customer losses are growing in Giant's service territory due to satellite-based distribution systems and the provision of video service via IPTV by Incumbent Local Exchange Carriers (e.g., Twin Valley Telephone Company). At the time of its sale, Giant was continuing to lose subscribers and had not achieved profitability. Recent legislative and federal regulatory actions and proposals affecting the cable television industry could facilitate additional competition, which could adversely affect Giant's business. In light of this prospect of increased competition and its continuing video customer losses, coupled with the economic characteristics of Giant's service areas, management concluded that a sale of Giant would be in the best interest of CIBL's shareholders.

Television Broadcasting

Station WHBF-TV. WHBF is a CBS network affiliate serving the “Quad Cities” market of Rock Island-Moline, IL and Davenport-Bettendorf, IA. WHBF is owned by Coronet Communications Company (“Coronet”), a general partnership. Lynch Entertainment, LLC (“Lynch Entertainment I”), a wholly-owned subsidiary of CIBL, and Lombardo Communications, Inc are the general partners of Coronet. Lynch Entertainment I has a 20% interest in Coronet and upon the sale of the station, is entitled to an additional 5% of the sales proceeds. Lombardo Communications, Inc. has the remaining interest.

Station WOI-TV. WOI, an ABC network affiliate serving the Des Moines-Ames, IA market, is owned by Capital Communications Corporation (“Capital”). Lynch Entertainment Corporation II (“LEC-II”), a wholly-owned subsidiary of CIBL, owns 49% of the outstanding common shares of Capital and convertible preferred stock which, when converted, would bring LEC-II's common share ownership to 50%. Lombardo Communications, Inc. II, has the remaining controlling share interest in Capital.

WHBF-TV and WOI-TV became full power high-definition television stations as of July 2005. The stations have now converted to exclusively digital broadcasting, and in connection with the FCC's nationwide conversion of television broadcasting to digital format on June 12, 2009, the stations relinquished their analog licenses.

Operations. Revenues of a local television station depend to some extent upon its relationship with an affiliated television network. In general, the network affiliation contracts of WHBF-TV and WOI-TV with CBS and ABC, respectively, provide that the network will offer to the affiliated station the programs the network generates, and the affiliated station will transmit a number of hours of network programming each month. The programs transmitted by the affiliated station generally include advertising originated by the network, for which the network is compensated by its advertising customers. The affiliate is permitted to sell advertising spots preceding, following, and sometimes during network programs, for which the station is compensated by its advertising customers.

The affiliation contract has historically provided that the network will pay to the affiliated station an amount which is determined by negotiation, based upon the market size and rating of the affiliated station. Recently, however, the networks have begun in some instances to charge affiliated stations for certain programming.

A network affiliation is important to a local station because network programs, in general, have higher viewer ratings than non-network programs and help to establish a solid audience base and acceptance within the market for the local station. Because network programming often enhances a station's audience ratings, a network-affiliated station is often able to charge higher prices for its own advertising time. In addition to revenues derived from broadcasting network programs, local television stations derive revenues from the sale of advertising time for spot advertisements, which vary from 10 seconds to 120 seconds in length, and from the sale of program sponsorship to national and local advertisers. Advertising contracts are generally short in duration and may be canceled upon two weeks' notice. WHBF-TV and WOI-TV are represented by a national firm for the sale of spot advertising to national customers, and also have local sales personnel covering the service area in which each is located. National representatives are compensated by a commission based on net advertising revenues from national customers.

Competition. WHBF-TV and WOI-TV compete for advertising revenues with other local television and radio stations, cable television providers, and other advertising media, such as newspapers, magazines, billboards, direct mail, and, increasingly, the Internet. Generally, television stations such as WHBF-TV and WOI-TV do not compete with stations in other markets.

Cable television systems retransmit programming originated by broadcasters and provide additional programming that is not originated on, or transmitted from, conventional broadcasting stations (e.g., cable channels such as CNN, ESPN, and HBO). Direct broadcast service providers such as DirecTV and EchoStar use satellites to provide multichannel video services and have grown significantly in recent years, especially in rural areas. In addition, some alternative media operators provide, for a fee or on a subscription basis, programming that is not a part of regular television service. Additional program services are provided by low- power television stations as well. Moreover, an increasing number of people view video programming over the Internet.

Federal Regulation. Rules and policies of the FCC and other federal agencies regulate certain programming practices and other areas affecting the business and operations of television broadcast stations, including but not limited to requirements to carry a certain amount of children's programming, programming that satisfies the needs and interests of local audiences, equal employment opportunity requirements, and enforcement of broadcast indecency rules.

The Communications Act and/or the FCC's rules, among other things, (i) prohibit the assignment of a broadcast license or the transfer of control of a corporation holding a license without the prior approval of the FCC; (ii) with certain exceptions, restrict the common ownership of a radio or television station and a daily newspaper in the same market; (iii) restrict the number of television stations in which an entity may have an attributable interest in any given market; (iv) impose limits on the aggregate number of radio and television stations in which an entity may have an attributable interest in a given market; and (v) limit foreign ownership of broadcast licenses under certain circumstances. In calculating media ownership interests, CIBL's interests may be aggregated under certain circumstances with certain other interests of Mario J. Gabelli, its Chairman, and certain of his affiliates.

Television licenses are issued for a term of eight years and are customarily renewed for subsequent eight year terms as a matter of course by the FCC with certain limited exceptions. A broadcast television license must be renewed if the FCC finds that: (i) the station has served the public interest, convenience and necessity; (ii) there have been no serious violations by the licensee of the Communications Act or the FCC's rules and regulations; and (iii) there have been no other violations by the licensee of the Communications Act or the FCC's rules and regulations that, taken together, constitute a pattern of abuse. The current licenses for WHBF-TV and WOI-TV expired on December 1, 2005 and February 1, 2006, respectively. License renewal applications were filed with the FCC on a timely basis and remain pending. Under the FCC's rules, the license expiration date is automatically extended pending review and grant of the renewal application. The FCC currently has a long backlog of pending renewal applications. There does not appear to be any reason that these licenses will not be renewed, and LICT and CIBL believe that they will be renewed, although of course future actions of the FCC cannot be predicted with complete assurance.

Investment in Solix

CIBL owns 10,000 shares of common stock (or a 1.36% interest) of Solix, which shares were originally acquired by LICT in 2000. Solix is an outsourcing firm that provides, among other things, billing and collection and other business process services to the telecommunications industry.

Other Asset

As of December 31, 2011, CIBL holds a \$0.9 million promissory note due from a subsidiary of LICT. The note bears interest at 5%, with interest paid in kind. Management and other service fees and expenses owed by CIBL to LICT are offset against the note on a periodic basis. The note matures in ten years or earlier predicated on the occurrence of certain events. In May 2012, CIBL paid a transaction fee to LICT of \$150,000 as compensation for the efforts of LICT personnel in planning, structuring and negotiating the sale of the RSAs. The transaction fee was paid by reducing the promissory note.

Employees

CIBL has transitional executive managers performing day-to-day functions and an administrator located in its Reno, NV headquarters office.

Legal Proceedings

None.

MANAGEMENT'S DISCUSSION OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with its audited consolidated financial statements and related notes.

RESULTS OF OPERATIONS

Overview

CIBL Inc.'s (the "Company" or "CIBL") current results of operations through the operating loss line include management fee revenues received from the Company's television broadcasting operations for contractual management services less management fee expense that CIBL pays to LICT Corporation under a contractual management agreement and certain administrative expenses. On May 21, 2010, the Company closed on the sale of Giant, a cable television provider in northeast Kansas, to Giant Communications, Inc. a Competitive Local Exchange Carrier ("CLEC") located in Holton, Kansas. CIBL received \$2.1 million in cash for Giant, which represents approximately \$80/share for each share of CIBL's common stock currently outstanding. The ultimate parent entity of Giant Communications, Inc. is LICT, the company from which CIBL was originally spun off from in November 2007. The operations of Giant before the sale have been presented as part of discontinued operations in 2010.

The majority of the Company's earnings come from its less-than-50%-owned investments in operating cellular telephone providers which are reflected in "Equity in earnings of affiliated entities."

Through a wholly-owned subsidiary, CIBL owns a 51% limited partnership interest in Wescel Cellular of New Mexico LP ("Wescel Cellular"). Wescel Cellular owns a 33% limited partnership interest in New Mexico RSA #5 Limited Partnership and a 25% limited partnership interest in New Mexico RSA #3 Limited Partnership. Through a wholly-owned subsidiary, the Company owns an additional 8.33% limited partnership interest in New Mexico RSA #3. Because of its 51% ownership, the Company consolidates the results of Wescel Cellular. Accordingly, in the Consolidated Statements of Income, the equity in earnings of affiliated entities includes the full Wescel Cellular share of the earnings of New Mexico RSA # 5 and New Mexico # 3, of 33% and 25% respectively. The earnings associated with the 49% interest of Wescel Cellular that the Company does not own are classified as Non-controlling Interests. Verizon Wireless is the general partner and operator of both New Mexico RSA # 5 and New Mexico RSA # 3, and all services are sold as Verizon Wireless.

On May 9, 2012, based on shareholder approval, the Company sold its interest in both RSA #3 and RSA #5 to Verizon Wireless for \$30 million, plus working capital adjustments totaling \$2.0 million.

2011 compared to 2010

Revenues and expenses are primarily contractual management fee arrangements that remain constant in both years. Due to a variance in other operating expenses, the Company's operating loss decreased by \$53,000, from a loss of \$336,000 in 2010 to a loss of \$283,000 in 2011.

Equity in earnings of affiliates increased by \$1,880,000, or 36.4%, from \$5,162,000 in 2010 to \$7,042,000 in 2011. The increase was primarily due to a \$1,737,000 increase in earnings from the Company's investments in its cellular interests. Both New Mexico RSA #3 and New Mexico RSA #5 recorded increased numbers of subscribers and revenues during 2011. In addition, in 2011 Capital's equity exceeded zero and the Company picked up \$209,000 in equity earnings as its 50% share. Previously, CIBL did not record the equity in losses of Capital, because the investment in Capital has previously been written down to zero and the Company has no legal obligation to fund such losses.

Partially offsetting, the Company's share of the income of Coronet decreased \$66,000, from \$176,000 in 2010 compared to \$110,000 in 2011.

Investment income was \$78,000 in 2011 compared to \$71,000 in 2010. The decrease primarily resulted from the decreasing balance of the promissory note receivable.

The Company's effective tax rates for 2011 and 2010 were 24.0% and 22.0%, respectively. The difference between these rates and the federal statutory rate of 34% is primarily due to state income taxes and the income attributable to non-controlling interest, which is not included in CIBL's tax returns.

Non-controlling interests increased by \$750,000 from \$2,143,000 in 2010 to \$2,893,000 in 2011 due to the aforementioned increase in earnings in New Mexico RSA #3 and New Mexico RSA #5.

As a result of the above, net income from continuing operations increased by \$630,000, or 37.6%, to \$2,305,000 in 2010.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, the Company has \$1,950,000 in cash. Current assets of \$2,214,000 exceed current liabilities, of \$64,000, by \$2,150,000.

As noted in the Overview section, in May 2012, the Company sold its interest in both RSA #3 and RSA #5 to Verizon Wireless. These transactions are currently expected to result in \$20 million in net cash proceeds after deducting expenses of the sales and associated income tax payments.

The Company paid special cash dividends to CIBL shareholders of \$1,247,000 in January 2012, or \$50 per share compared to \$2,009,000 in December 2010, or \$80 per share.

CIBL has no debt at the current time but a wholly-owned subsidiary of the Company has guaranteed \$3.5 million of Coronet's debt, which debt comes due on June 15, 2016.

As a result of the sale of the RSA's to Verizon, CIBL has considerable liquidity at this time. The Board of Directors on the company has not yet decided CIBL's current use of the liquid assets. The Board is considering a number of options including but not limited to:

- Acquiring a company or business in a related or unrelated industry;
- Reacquiring CIBL's outstanding shares, including through open market purchases or a "Dutch Auction";
- Making a significant cash distribution to CIBL shareholders; or
- Selling CIBL's remaining assets and liquidating the Company.

Among the factors being considered by the Board in relation to the use of the proceeds to best serve shareholders' interests are the current and future federal and state income tax effects of the various alternatives, the timing of the cash flow implications, the availability and attractiveness of potential acquisition candidates, the value of CIBL's remaining assets, and any other factor that would help to maximize shareholder value.

CIBL, Inc. and Subsidiaries

Financial Statements

December 31, 2011 and 2010

Independent Auditors' Report**Board of Directors
CIBL, Inc.**

We have audited the accompanying consolidated balance sheets of CIBL, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010 and the related consolidated statements of income, changes in equity, and cash flows for years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Capital Communications Company, Inc. ("Capital"), a 50% owned investee, which statements reflect total assets of approximately \$6,621,000 and of \$5,156,000 as of December 31, 2011 and 2010 and total revenues of approximately \$8,158,000 and \$8,453,000 for the years then ended. The Company's investment in Capital was carried at approximately \$209,000 and zero at December 31, 2011 and 2010, and the Company's equity in Capital for the years ended December 31, 2011 and 2010 was approximately \$209,000 and zero. We also did not audit the financial statements of Coronet Communications Company (A Partnership) ("Coronet"), a 20% owned investee, which statements reflect total assets of approximately \$5,705,000 and \$6,261,000 as of December 31, 2011 and 2010, and total revenue of approximately \$6,328,000 and \$6,672,000 for the years then ended. The Company's investment in Coronet was carried at approximately negative \$812,000 and \$922,000 at December 31, 2011 and 2010, and the Company's equity in the income of Coronet for the years then ended was approximately \$110,000 and \$176,000. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for the Company's investments in Capital Communications Corporation and Coronet Communications Company (a Partnership), is based solely on the reports of the other auditors.

We conducted our audits 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 includes examining, on a test basis, evidence supporting 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 and the reports of the other auditors provide a reasonable basis for our opinion.

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In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CIBL, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connell Davies, LLP

Harrison, NY
July 20, 2012

CIBL, Inc. and Subsidiaries
Consolidated Balance Sheets

(In Thousands)

	December 31,	
	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,950	\$ 309
Prepaid expenses	20	21
Prepaid income taxes	226	210
Due from affiliated entities	18	5
Total Current Assets	2,214	545
Note receivable due from Lynch Paging Corporation	922	1,074
Investments in equity method affiliated entities	12,258	9,743
Other investments, at cost	100	100
	\$ 15,494	\$ 11,462
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 64	\$ 111
Deferred income taxes	2,907	1,960
Cumulative losses in excess of investment in equity method affiliated entity	812	922
Total Liabilities	3,783	2,993
Equity		
Common stock, par value \$.01, 30,000 shares authorized; 25,115 issued; and 24,949 and 25,115 outstanding in 2011 and 2010	-	-
Contributed capital	3,862	3,862
Retained earnings	2,989	684
Treasury stock, 166 and 0 shares at cost	(105)	-
Total CIBL, Inc.'s Stockholders' Equity	6,746	4,546
Non-controlling interest	4,965	3,923
Total Equity	11,711	8,469
	\$ 15,494	\$ 11,462

CIBL, Inc. and Subsidiaries

Consolidated Statements of Income

(In Thousands, Except Share and Per Share Data)

	<u>Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Revenue	\$ 170	\$ 170
Operating Expenses		
Management fee	200	200
Other operating expenses	<u>253</u>	<u>306</u>
Total Operating Expenses	<u>453</u>	<u>506</u>
Operating Loss	<u>(283)</u>	<u>(336)</u>
Other Income		
Investment income	77	71
Equity in earnings of affiliated entities	<u>7,042</u>	<u>5,162</u>
Total Other Income	<u>7,119</u>	<u>5,233</u>
Net Income From Continuing Operations Before Income Taxes	6,836	4,897
Income tax expense	<u>(1,638)</u>	<u>(1,079)</u>
Net Income From Continuing Operations	5,198	3,818
Discontinued Operations		
Loss from Discontinued Operations, net of Income Taxes	-	(30)
Loss from Disposal of Discontinued Operations, net of Income Tax Benefit of \$190	<u>-</u>	<u>(370)</u>
Net Loss From Discontinued Operations	<u>-</u>	<u>(400)</u>
Net Income	5,198	3,418
Non-controlling interest	<u>(2,893)</u>	<u>(2,143)</u>
Net Income Attributable to CIBL, Inc.'s Stockholders	<u>\$ 2,305</u>	<u>\$ 1,275</u>
Basic and diluted weighted average shares outstanding	25,071	25,115
Net income (loss) per share attributable to CIBL		
Income attributable to CIBL from Continuing Operations	\$ 91.94	\$ 66.69
Loss from Discontinued Operations	\$ -	\$ (15.93)

See notes to consolidated financial statements

CIBL, Inc. and Subsidiaries
Consolidated Statement of Changes in Equity

(In Thousands)

	CIBL, Inc. Stockholders' Equity				Total	Non-Controlling Interest	Total Equity
	Common Stock	Contributed Capital	Retained Earnings	Treasury Shares			
Balance at January 1, 2010	\$ -	\$ 3,862	\$ 1,418	\$ -	\$ 5,280	\$ 3,168	\$ 8,448
2010							
Net income	-	-	1,275	-	1,275	2,143	3,418
Distributions	-	-	-	-	-	(1,388)	(1,388)
Dividends paid	-	-	(2,009)	-	(2,009)	-	(2,009)
Balance at December 31, 2010	-	3,862	684	-	4,546	3,923	8,469
2011							
Net income	-	-	2,305	-	2,305	2,893	5,198
Distributions	-	-	-	-	-	(1,851)	(1,851)
Purchase of treasury stock	-	-	-	(105)	(105)	-	(105)
Balance at December 31, 2011	\$ -	\$ 3,862	\$ 2,989	\$ (105)	\$ 6,746	\$ 4,965	\$ 11,711

CIBL, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In Thousands)

	Years Ended December 31,	
	2011	2010
Cash Flows From Operating Activities		
Net income attributable to CIBL, Inc.'s stockholders	\$ 2,305	\$ 1,275
Non-controlling interest	2,893	2,143
Net income	5,198	3,418
Adjustments to reconcile net income to net cash from operating activities		
Loss on sale of discontinued operations	-	370
Net loss from discontinued operations	-	30
Equity in earnings of affiliated entities	(7,042)	(5,162)
Distributions from affiliated entities	4,417	3,000
Deferred income taxes	947	207
Interest income (in-kind)	(48)	(56)
Management fees (in-kind)	200	200
Changes in operating assets and liabilities		
Prepaid expenses	1	-
Accounts payable and accrued expenses	(47)	(62)
Prepaid income taxes	(16)	(124)
Due from affiliated entities	(13)	-
Cash from discontinued operations	-	(85)
Net Cash from Operating Activities	3,597	1,736
Cash Flows From Investing Activities		
Proceeds from sale of discontinued operation, net of cash divested of \$93	-	2,007
Purchases of property and equipment by discontinued operations	-	(95)
Net Cash from Investing Activities	-	1,912
Cash Flows From Financing Activities		
Cash distributed to non-controlling interest	(1,851)	(1,388)
Purchase of treasury stock	(105)	-
Dividends paid	-	(2,009)
Net Cash from Financing Activities	(1,956)	(3,397)
Net Change in Cash and Cash Equivalents	1,641	251
Cash and Cash Equivalents		
Beginning of year	309	58
End of year	\$ 1,950	\$ 309
Supplemental Cash Flow Information		
Cash paid for income taxes	\$ 707	\$ 1,172

See notes to consolidated financial statements

CIBL, Inc. and Subsidiaries

(In Thousands)

Notes to Consolidated Financial Statements

1. Organization

CIBL, Inc. (the "Company" or "CIBL") is engaged in the telecommunication and cable television business. The Company's assets, including those held in wholly owned subsidiaries include:

- A wholly owned single member LLC, Giant Communications, LLC ("Giant"), which operates a cable television distribution system in northeast Kansas serving approximately 2,000 customers. The Company sold Giant on May 21, 2010, to Giant Inc., a Competitive Local Exchange Carrier located in Holton, Kansas. CIBL received \$2.1 million in cash for Giant, which represents approximately \$80 per share for each share of CIBL's common stock currently outstanding. The sale resulted in a loss of approximately \$.4 million based on the net assets of Giant. The ultimate parent entity of Giant Inc. is LICT, the company from which CIBL was originally spun off in November 2007. The operations of Giant before the sale have been presented as part of discontinued operations in 2010 and have been disclosed in Note 3.
- A 20% owned equity investment in Coronet Communications Company (A Partnership) ("Coronet"). Coronet operates television station WHBF-TV, a CBS affiliate in Rock Island, Illinois. Upon the sale of the station, CIBL shall be entitled to an additional 5% of the sale proceeds;
- A 49% common equity interest and its 100% convertible preferred equity interest, which if converted would constitute a 50% ownership interest in Capital Communications Corporation ("Capital"). Capital operates television station WOI-TV, an ABC affiliate in Des Moines, Iowa;
- A 100% ownership of Wescel Cellular Inc. which owns 51% of Wescel Cellular of New Mexico, L.P. whose sole asset consists of a 25% interest in RSA #3 and a 33% interest in RSA #5, which are cellular telephone providers located in New Mexico.
- A 100% ownership of Wescel Cellular Inc. II whose sole asset consists of an 8.3% interest in RSA #3.
- A 1.36% cost method investment in Solix, Inc ("Solix");
- A promissory note due from Lynch Paging Corporation, a subsidiary of LICT. (see note 5)

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements include the operations of the Company and its majority owned subsidiaries. All inter-company transactions and balances have been eliminated in consolidation. The 49% ownership interest in Wescel Cellular of New Mexico, L.P., not owned by CIBL, is reflected as a non-controlling interest in the accompanying financial statements.

CIBL, Inc. and Subsidiaries

(In Thousands)

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statement date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with maturities of three months or less at the date of purchase to be cash equivalents.

Investments in Affiliated Entities, Equity Basis

The Company accounts for its non-controlling investments in non-publicly traded entities using the equity method, based upon information in such equity investees' audited financial statements. The Company's equity method investments are discussed and their financial information is summarized in Note 4.

Cost Method Investment

The Company's 1.36% ownership interest in Solix, Inc. is accounted for using the cost method because the Company does not exercise significant influence over the management of Solix. The carrying value of such investment at December 31, 2011 and 2010 was \$100. Solix is an outsourcing firm that provides services such as billing and collection to the telecommunications industry.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently payable and those deferred due to temporary differences between the financial reporting and tax basis of the Company's assets and liabilities using tax rates in effect in the period in which the temporary differences are expected to reverse. The Company establishes valuation allowances relating to deferred tax assets when management concludes that it is more likely than not that the Company will not realize a benefit from the reversal of such temporary differences.

Accounting for Uncertainty in Income Taxes

The Company recognizes the effect of income tax positions only when the tax position is more likely than not of being sustained. Management is not aware of any exposure to uncertain tax positions that would require financial statement recognition or disclosure. The Company is no longer subject to federal, state or local income tax audits for periods prior to December 31, 2008.

CIBL, Inc. and Subsidiaries

(In Thousands)

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Fair Value of Financial Instruments

The Company follows Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. As of and for the years ended December 31, 2011 and 2010 cash equivalents include \$1,950 and \$309 of money market mutual funds valued using Level 1 inputs (see Note 8).

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through July 20, 2012, the date that the financial statements were available to be issued. See note 9.

3. Discontinued Operations

On May 20, 2010, the Company sold its wholly owned single member LLC, Giant Communications LLC ("Giant") for \$2,100 which operated a cable television distribution system in northeast Kansas. The Company has reclassified the historical financial results of Giant as discontinued operations and has reflected the 2010 results of Giant as discontinued operations on the consolidated statement of income and recorded a resulting loss of \$400, net of income tax from the sale during 2010 in the consolidated statement of income. The results of the discontinued operations for the year ended December 31, 2010 was as follows:

Revenue	\$ 616
Operating expenses	<u>(718)</u>
Loss before Provision for Income Taxes	(102)
Benefit for Income Taxes	<u>72</u>
Loss from Discontinued Operations	<u>\$ (30)</u>

CIBL, Inc. and Subsidiaries

(In Thousands)

Notes to Consolidated Financial Statements

4. Equity Method Investments

Equity Method Investment in Coronet Communications Company

The Company has a 20% owned equity investment in Coronet Communications Company (A Partnership). Coronet operates television station WHBF-TV, a CBS affiliate in Rock Island, Illinois, serving the Quad Cities market. Upon the sale of the station, CIBL shall be entitled to an additional 5% of the sale proceeds.

Summarized financial information for the investment in Coronet as of and for the years ended December 31, is as follows:

	2011	2010
Current assets	\$ 1,883	\$ 2,236
Property, plant and equipment, intangibles and other	<u>3,822</u>	<u>4,025</u>
Total Assets	<u>\$ 5,705</u>	<u>\$ 6,261</u>
Current liabilities	\$ 1,912	\$ 1,741
Long-term liabilities	8,145	9,422
Capital deficiency	<u>(4,352)</u>	<u>(4,902)</u>
Total Liabilities and Capital Deficiency	<u>\$ 5,705</u>	<u>\$ 6,261</u>
Revenues	\$ 6,328	\$ 6,672
Gross profit	952	1,241
Net income	551	881

The equity in earnings of Coronet recognized by CIBL during 2011 and 2010 was \$110 and \$176. At December 31, 2011 and 2010, the investment in Coronet was carried at a negative \$812 and a negative \$922, respectively, due to the Company's guarantee of \$3,750 of Coronet's debt. Coronet refinanced their debt extending the term to a maturity of June 15, 2016. The debt of Coronet, at December 31, 2011 and 2010, totaled approximately \$8,301 and \$8,733 and is payable quarterly to a third party lender.

At December 31, 2011 and 2010, the Company has not recorded a liability for the difference between its negative investment at December 31, 2011 and 2010 and the aforementioned guarantee because, in the opinion of management, it is not probable that the Company will be called upon to perform under the terms of the guarantee.

CIBL, Inc. and Subsidiaries

(In Thousands)

Notes to Consolidated Financial Statements

4. Equity Method Investments (continued)

Equity Method Investment in Capital Communications Company, Inc.

The Company has a 49% common equity interest and its 100% convertible preferred equity interest, which if converted would constitute a 50% ownership interest in Capital Communications Corporation. Capital operates television station WOI-TV, an ABC affiliate in Ames, Iowa serving the Ames/ Des Moines market.

Summarized financial information for the investment in Capital as of and for the years ended December 31, is as follows:

	<u>2011</u>	<u>2010</u>
Current assets	\$ 5,432	\$ 3,684
Property, plant and equipment, intangibles and other	<u>1,189</u>	<u>1,472</u>
Total Assets	<u>\$ 6,621</u>	<u>\$ 5,156</u>
Current liabilities	\$ 1,905	\$ 1,281
Long-term liabilities	4,299	4,668
Equity (Capital Deficiency)	<u>417</u>	<u>(793)</u>
Total Liabilities and Equity (Capital Deficiency)	<u>\$ 6,621</u>	<u>\$ 5,156</u>
Revenues	\$ 8,158	\$ 8,453
Gross profit	1,521	1,792
Net income	1,210	913

In 2011, the Company recorded equity earnings of \$209 in Capital and at December 31, 2011, the investment was carried at the same amount. At December 31, 2010, the investment in Capital was carried at zero as the share of net losses recognized to date had exceeded the Company's net investment and the Company has no further commitment to fund Capital's business needs. The Company's shares in Capital have been pledged as security for Capital's long-term debt; however, the Company has not guaranteed the repayment of such debt.

CIBL, Inc. and Subsidiaries

(In Thousands)

Notes to Consolidated Financial Statements

4. Equity Method Investments (*continued*)

Equity Method Investments in RSA #3 and RSA #5

Summarized combined financial information for telecommunications companies, consisting of the New Mexico cellular telephone providers (RSA #3 and RSA #5) as of and for the years ended December 31, is as follows:

	2011	2010
Current assets	\$ 9,621	\$ 9,143
Property, plant and equipment, intangibles and other	<u>29,356</u>	<u>22,684</u>
Total Assets	<u>\$ 38,977</u>	<u>\$ 31,827</u>
Current liabilities	\$ 2,716	\$ 2,568
Long-term liabilities	528	445
Equity	<u>35,733</u>	<u>28,814</u>
Total Liabilities and Equity	<u>\$ 38,977</u>	<u>\$ 31,827</u>
Revenues	\$ 64,160	\$ 48,003
Gross profit	20,173	14,815
Net income	20,169	14,958

The Company's net investment in RSA #3 and RSA #5 partnerships aggregated \$12,049 and \$9,743 at December 31, 2011 and 2010, respectively, and is included in investments in equity method affiliated entities. The equity in earnings of RSA #3 and RSA #5 recognized by CIBL during 2011 and 2010 was \$6,723 and \$4,986.

5. Note Receivable

The Company has a promissory note due from Lynch Paging Corporation, a subsidiary of LICT Corporation ("LICT"), with an original amount of \$1,500. The note was obtained in connection with the 2007 spin off of the Company from LICT. The note bears interest at 5% with interest to be paid in-kind. The note will mature in ten years or earlier predicated on the occurrence of certain events. Subsequent to the spin-off, management and other service fees and expenses owed by CIBL to LICT are offset against the note on a periodic basis. As of December 31, 2011 and 2010, there was \$922 and \$1,074 outstanding on the note receivable and during the years ended December 31, 2011 and 2010, \$200 each year was offset against the note by LICT (see note 8). In-kind interest accrued on the note was \$48 and \$56 in 2011 and 2010.

CIBL, Inc. and Subsidiaries

(In Thousands)

Notes to Consolidated Financial Statements

6. Provision for Income Taxes

The provision for income taxes for the years ended December 31, is summarized as follows:

	<u>2011</u>	<u>2010</u>
Current tax provision		
Federal	\$ 634	\$ 801
State	<u>57</u>	<u>71</u>
	<u>691</u>	<u>872</u>
Deferred tax provision		
Federal	880	194
State	<u>67</u>	<u>13</u>
	<u>947</u>	<u>207</u>
Total	<u>\$ 1,638</u>	<u>\$ 1,079</u>

The net deferred tax liability consisted of excess book basis over tax basis on equity method investments of \$2,907 and \$1,960 at December 31, 2011 and 2010, respectively.

The Company's effective tax rates of 24% in 2011 and 22.0% in 2010 differ from the federal statutory rate of 34% due primarily to state income taxes and the income attributable to the non-controlling interests of \$2,893 and \$2,143 in 2011 and 2010 which is not included in CIBL's tax return as it flows through to the tax returns of the non-controlling interest.

7. Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, trade accounts receivable and the note receivable. The Company's cash and cash equivalents may at times exceed Federally insured amounts.

8. Related Party Transactions (Not Disclosed Elsewhere)

Management fee income aggregating \$170 in 2011 and 2010 was received from Capital and Coronet.

LICT provides administrative and management services to CIBL based on a temporary management service agreement. As compensation for these services, LICT receives a fee of \$200 per year.

Giant Communications Inc. ("Giant Inc."), a subsidiary of LICT, provided billing and collection services for the Company. Funds were transferred as collected on a daily basis.

CIBL, Inc. and Subsidiaries

(In Thousands)

Notes to Consolidated Financial Statements

8. Related Party Transactions (Not Disclosed Elsewhere) (continued)

During the year ended December 31, 2010 charges for services received from Giant Inc. approximated \$20.

J.B.N. Telephone Company ("JBN"), a subsidiary of LICT, provided the following services to the Company: administrative services, office space and overhead and high-speed bandwidth used in the provision of the Company's internet service. During the years ended December 31, 2010 charges for services received from JBN approximated \$55.

At December 31, 2011 and 2010, Wescel Cellular of New Mexico, L.P. had recorded a due from affiliate of \$18 and \$5, from the general partner of its RSA #3 and RSA #5 investments.

At December 31, 2011 and 2010, cash of \$1,950 and \$308, is invested in United States Treasury money market funds for which affiliates of one of the Company's Directors serve as investment managers.

See also note 1, for related party transaction regarding the sale of Giant.

9. Subsequent Events

On January 10, 2012, the Company paid a dividend to stockholders of \$1,247.

On May 9, 2012, based on shareholder approval, the Company sold its minority interest in RSA #3 and RSA #5 to Verizon Wireless for \$30,000, plus working capital adjustments. The Board of Directors has not yet decided on the ultimate use of the net after tax proceeds.