

**CIBL, Inc. and Subsidiaries**  
**Financial Report to Shareholders**  
**September 30, 2016**

**CIBL, Inc. and Subsidiaries**  
**Condensed Consolidated Financial Statements**  
**September 30, 2016**

**CIBL, Inc. and Subsidiaries**  
Condensed Consolidated Balance Sheets  
(In Thousands, Except Common Share Data)

	Sept. 30, 2016	Dec. 31, 2015	Sept 30, 2015
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$17,676	\$6,701	\$27,164
Short term investments	7,990	19,986	--
Accounts receivable, net of allowance of \$4	433	576	404
Deferred income taxes	81	93	93
Prepaid income tax	355	294	395
Other current assets	465	465	650
<b>Total Current Assets</b>	<b>27,000</b>	<b>28,115</b>	<b>28,706</b>
Telecommunications, plant and equipment, net	6,735	6,786	6,752
Goodwill	1,772	1,772	1,772
Note receivable due from an affiliate	--	--	35
Investments in equity method affiliated entities	2,042	1,854	1,915
Other investments, at cost	733	445	367
Deferred offering costs	--	196	65
<b>Total Assets</b>	<b>\$38,282</b>	<b>\$39,168</b>	<b>\$38,612</b>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$235	\$215	\$326
Income tax payable	90	127	309
Other current liabilities	333	332	344
Current maturities of long-term debt	27	26	24
<b>Total Current Liabilities</b>	<b>685</b>	<b>700</b>	<b>1,003</b>
Long-term debt	2,698	2,719	2,727
Deferred income taxes	2,894	2,834	2,713
Construction deposit	32	32	32
<b>Total Liabilities</b>	<b>6,309</b>	<b>6,285</b>	<b>6,475</b>
<b>Equity</b>			
Common stock, par value \$.01, 30,000 shares authorized; 25,115 issued; 16,952; 17,725; and 17,856 outstanding	--	--	--
Contributed capital	3,112	3,111	3,115
Retained earnings	32,709	32,915	32,983
Treasury stock, 8,163; 7,390; and 7,258 shares at cost	(9,268)	(8,258)	(8,088)
<b>Total CIBL, Inc.'s Stockholders' Equity</b>	<b>26,553</b>	<b>27,768</b>	<b>28,010</b>
Non-controlling interests	5,420	5,115	5,127
<b>Total Equity</b>	<b>31,973</b>	<b>32,883</b>	<b>33,137</b>
<b>Total Liabilities and Equity</b>	<b>\$38,282</b>	<b>\$39,168</b>	<b>\$39,612</b>

See notes to condensed consolidated financial statements

**CIBL, Inc. and Subsidiaries**  
Condensed Consolidated Statements of Operations  
(In Thousands, Except Share and Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>Revenues</b>				
Broadband data/communications	\$1,019	\$905	\$3,061	\$2,979
Total Revenues	1,019	905	3,061	2,979
<b>Costs and Expenses</b>				
Cost of operating revenue, excluding depreciation	404	427	1,231	1,373
General and administrative costs of operations	146	155	551	521
Management fees	56	63	169	188
Corporate office expense at ICTC	123	95	212	213
Corporate office expense at CIBL	61	62	296	201
Depreciation	235	228	696	659
Total Costs and Expenses	1,025	1,030	3,155	3,155
Operating Profit(Loss)	(6)	(125)	(94)	(176)
<b>Other Income (Expense)</b>				
Investment income	73	451	342	607
Interest expense	(24)	(23)	(69)	(90)
Equity in earnings of affiliated entities	90	90	282	278
Write-off of SPAC costs	(205)	--	(205)	--
Gain on sale of investments	--	35	--	35
Total Other Income, Net	(66)	553	350	830
Net Income (Loss) Before Income Taxes	(72)	428	256	654
Income tax expense	(11)	(63)	(150)	(167)
Net Income (Loss)	(83)	365	106	487
Non-controlling interests	(99)	(241)	(312)	(414)
Net Income (Loss) Attributable to CIBL, Inc.'s Stockholders	(\$182)	\$124	(\$206)	\$73
Basic and diluted weighted average shares outstanding	16,941	17,909	17,100	17,966
Net income (loss) per share	(\$4.85)	\$20.41	\$6.19	\$27.11
Net income (loss) per share attributable to CIBL	(\$10.73)	\$6.97	(\$12.04)	\$4.08

See notes to condensed consolidated financial statements.

**CIBL, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Changes in Equity**  
(In Thousands, except common shares data)

	CIBL, Inc. Stockholders' Equity						Non- Controlling Interests	Total Equity
	Common Shares Outstanding	Common Stock	Contributed Capital	Retained Earnings	Treasury Shares	Total		
Balance at December 31, 2015	17,725	\$--	\$3,111	\$32,915	(\$8,258)	\$27,768	\$5,115	\$32,883
Net income (loss)	--	--	--	(206)	--	(206)	312	106
Consolidation of ICTC Group, Inc.	--	--	1	--	--	1	(57)	(56)
Issuance of ICTC Group, Inc. shares	--	--	--	--	--	--	46	46
Purchase of treasury stock	(798)	--	--	--	(1,010)	(1,010)	--	(1,010)
Other	--	--	--	--	--	--	4	4
Balance at Sept. 30, 2016	<u>16,927</u>	<u>\$--</u>	<u>\$3,112</u>	<u>\$32,709</u>	<u>(\$9,268)</u>	<u>\$26,553</u>	<u>\$5,420</u>	<u>\$31,973</u>

See notes to condensed consolidated financial statements

**CIBL, Inc. and Subsidiaries**  
Condensed Consolidated Statements of Cash Flows  
(In Thousands)

	Nine Months Ended September 30,	
	2016	2015
<b>Cash Flows Provided By Operating Activities</b>		
Net income (loss) attributable to CIBL, Inc.'s stockholders	(\$206)	\$73
Non-controlling interests	312	414
Net income	106	487
Adjustments to reconcile net income to net cash from operating activities:		
Equity in earnings of affiliated entities	(282)	(278)
Distributions from affiliated entities	95	161
Depreciation	696	659
Shares issued in lieu of cash compensation	46	--
Deferred income taxes	72	12
Interest income (in-kind)	--	(3)
Management fees (in-kind)	--	113
Unrealized gain on investments	(41)	(2)
Other	196	(35)
Changes in operating assets and liabilities:		
Accounts receivable	143	83
Other current assets	--	(432)
Accounts payable and accrued expenses	19	130
Income tax payable/prepaid income tax	(96)	52
Other current liabilities	--	4
Net Cash Provided By Operating Activities	954	951
<b>Cash Flows Provided By Investing Activities</b>		
Capital spending	(646)	(821)
Funds recovered under BIP grant program	--	481
Purchase of United States Treasury Bills	(27,962)	--
Redemption of United States Treasury Bills	40,000	--
Purchase of marketable securities	(281)	(20)
Acquisition of ICTC Group, Inc. Shares	(59)	(34)
Proceeds from sale of Capital Communications Inc.	--	30
Net Cash Provided By (Used In) Investing Activities	11,052	(364)
<b>Cash Flows Used In Financing Activities</b>		
Purchase of treasury stock	(1,010)	(337)
Principal payments on loan term debt	(20)	(15)
Advances under BIP Loan	--	211
Other	(1)	(65)
Net Cash Used in Financing Activities	(1,031)	(206)
Net Change In Cash And Cash Equivalents	10,975	381
<b>Cash and Cash Equivalents</b>		
Beginning of year	6,701	26,783
End of period	\$17,676	\$27,164
<b>Supplemental Cash Flow Information</b>		
Cash paid for income taxes - net of refunds	\$117	\$90
Cash paid for interest	\$69	\$103

See notes to condensed consolidated financial statements

**CIBL, Inc. and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements  
September 30, 2016  
(In Thousands)

**1. Organization**

CIBL, Inc. (the "Company" or "CIBL") currently holds an investment in a broadband data transport/communications company. At September 30, 2016, the Company holds a 43.5% interest in the ICTC Group, Inc. ("ICTC"), a broadband data transport/communications company in North Dakota that is deemed to be under common control with CIBL (see Note 4). Under a Voting Rights Agreement, the Company's voting interest in ICTC is 55.68% and, accordingly, it reports ICTC results on a consolidated basis.

In addition, ICTC holds an investment in affiliates in which they do not have majority voting control but had or have the ability to significantly influence management decisions (either through an ownership of 20% or more structured as a partnership or limited liability company treated as a partnership). This investment is in Dakota Carrier Network, LLC ("DCN"), which is a limited liability broadband data transport company, treated as a partnership, that is 3.4% owned by ICTC (see Note 5) and is accounted for in accordance with the equity method.

On July 21, 2015, CIBL formed Nevada PMV Acquisition Holding Company, LLC ("Nevada PMV") for the purpose of acting as the sponsor for a special purpose acquisition company, or SPAC. On August 7, 2015 PMV Acquisition Corp. ("PMV") was formed by Nevada PMV as a SPAC for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination involving PMV and one or more businesses. As a SPAC, PMV is a shell (blank check) company that had no operations and whose purpose was to go public with the intention of merging with or acquiring a company with the proceeds of the SPAC's initial public offering ("IPO"). In the fourth quarter of 2015, PMV filed an S-1 Registration Statement with the Securities and Exchange Commission for the purpose of effectuating the IPO, whose securities are expected to be traded on The NASDAQ Stock Market ("Nasdaq"). PMV expected to offer ten million units, with each unit consisting of one share of common stock and one warrant to acquire one-half of one share of common stock, at an offering price of U.S. \$10.00 per unit. Despite efforts in 2015 and 2016, to effectuate an IPO, market conditions were such that the IPO could not be accomplished. In the third quarter of 2016, it was determined that the probability of a success in the near term was low and that further efforts at this time would not be productive. Accordingly, deferred costs of \$205,000 were written-off.

**2. Summary of Significant Accounting Policies**

***Principles of Consolidation***

The accompanying financial statements include the operations of the Company and its majority owned or controlled subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

The non-controlling interests represent the financial results of ICTC that are not owned by CIBL.

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***Interim Financial Statements***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all of the information and footnotes required for complete financial statements. These consolidated financial statements and footnotes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2015. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

***Regulatory Accounting***

ICTC's public utility activities are regulated by the Federal Communications Commission ("FCC"). The North Dakota Public Service Commission does not regulate Rural Local Exchange Carriers ("RLECs") with fewer than 8,000 access lines, such as Inter-Community Telephone Company, LLC, an indirect, wholly-owned subsidiary of ICTC. The Company follows the Federal Communication Commission's (FCC) Uniform System of Accounts, Part 32 of the FCC Rules and Regulations.

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. Developments that could give rise to substantial modifications of regulatory accounting practices include (1) increasing competition restricting ICTC's wireline business' 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.

***Cash and Cash Equivalents***

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

***Short-term Investments***

The Company considers all highly liquid investments with maturities in excess of three months, and not greater than six months at the date of purchase, to be short-term investments.



**CIBL, Inc. and Subsidiaries**  
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***Accounts Receivable***

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments on trade receivables are applied to the applicable unpaid invoices. The carrying amount of the trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

***Materials and Supplies***

Inventories are stated at the lower of average cost or market.

***Cost Method Investments***

The Company accounts for certain investments, listed below, using the cost method because the Company does not exercise significant influence over the management.

The Company's 1.36% ownership interest in Solix, Inc. ("Solix") is accounted for using the cost method because the Company does not exercise significant influence over the management of Solix. Solix is an outsourcing firm that provides services such as billing and collection to the telecommunications industry. The carrying value of such investment at September 30, 2016, December 31, 2015 and September 30, 2015 was \$100.

ICTC has an ownership interest in two North Dakota entities, each of which in turn holds an interest in one of two partnerships that provide cellular telephone service to Rural Service Area ("RSA") 3 and RSA 5 in North Dakota. ICTC's interests in these RSA partnerships amount to of 1.33% and 1.53%, respectively. The combined carrying value of these investments at September 30, 2016, December 31, 2015, and September 30, 2015 was approximately \$160. During the nine month periods ended September 30, 2016 and 2015, ICTC received combined distributions from these investments of \$264 and \$588, respectively.

ICTC has an ownership interest in additional entities that are accounted for on the cost method. The Company has invested \$90 in these companies.

***Marketable Securities***

LICT has marketable securities, included in other investments, consist of a publicly traded common stock. This investment in marketable securities had carrying values at September 30, 2016, December 31, 2015, and September 30, 2015 of \$312, \$93, and \$20, respectively, and was classified as available-for-sale. Unrealized gains or losses, net of tax, on the Company's available-for-sale securities, which have been immaterial to date, are excluded from earnings and included as a separate component of Shareholders' Equity included in accumulated other comprehensive income (loss) until realized.

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***Goodwill***

Goodwill is tested annually for impairment, or more frequently if deemed necessary. ICTC tests goodwill for impairment using a two-step process. The first step is a screen for potential impairment in which ICTC 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 its future cost structure, (c) discount rates for estimated cash flows, (d) selection of peer group companies for its market approach, (e) required level of working capital, (f) assumed terminal value, and (g) time horizon of cash flow forecasts. ICTC estimates the fair value using Level 3 inputs as defined in the fair value hierarchy.

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 December 31, 2015, and determined that there was no impairment at that time. There were no impairment losses recorded during the nine month periods ended September 30, 2016 and 2015.

***Telecommunications Plant and Equipment***

Additions to plant and equipment are recorded at cost, which includes contracted work, direct labor and materials, and allocable overheads. When units of plant and equipment are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Maintenance and repair costs and the replacement and renewal of items determined to be less than units of plant and equipment are charged to expense.

***Depreciation***

The majority of ICTC's plant and equipment is plant used for the wireline telephone business. Depreciation is based on the composite group remaining life method and straight-line composite rates. This methodology provides for the recognition of the cost of the remaining investment in telephone plant and equipment less anticipated positive net salvage value, over the remaining asset lives. When depreciable telephone plant is replaced or retired, the carrying amount of such plant is deducted from the respective accounts and charged to accumulated depreciation, and no gain or loss is recognized. Use of this methodology requires the periodic revision of depreciation rates. In the evaluation of asset lives, multiple factors are considered, including expected future retirements, technology changes and the adequacy of depreciation reserves.

***Fair Value of Financial Instruments***

The Company follows Accounting Standards Codification (ASC) 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

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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.

***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 in 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 nine month periods ended September 30, 2016 and 2015.

***Income Taxes***

Income taxes are provided for the tax effects of transactions reported in the financial statements. Income taxes 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. The Company and ICTC file separate tax returns.

***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 to be 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 or state income tax examinations for periods prior to the year ended December 31, 2012.

***Revenue Recognition***

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

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 31, 2016.

**3. Interest in ICTC Group, Inc.**

The Company currently owns 166,556 of ICTC Group, Inc., or 43.5% of ICTC's total shares of Class A Common Stock outstanding of 383,271. In total, the Company paid \$3,769 or \$22.63 per share for its shares.

**CIBL, Inc. and Subsidiaries**  
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**4. Equity Method Investment in DCN**

Summarized financial information for the investment in DCN as of and for the three and nine months ended September 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Current assets	\$5,174	\$7,350
Property, plant and equipment, net	54,542	48,457
Other assets	614	627
Total Assets	<u>\$60,330</u>	<u>\$56,434</u>
Current liabilities	\$849	\$637
Equity	59,481	55,797
Total liabilities and equity	<u>\$60,330</u>	<u>\$56,434</u>
 <u>Three Months Ended</u>		
Revenues	\$11,565	\$10,619
Operating Profit	\$2,619	\$2,604
Net Income	\$2,621	\$2,607
 <u>Nine Months Ended</u>		
Revenues	\$34,658	\$32,627
Operating Profit	\$8,206	\$8,113
Net Income	\$8,213	\$8,098

ICTC recognized equity earnings from DCN of \$282 and \$278 during the nine months ended September 30, 2016 and 2015, respectively. ICTC received distributions from DCN of \$95 and \$161 the nine month periods ended September 30, 2016 and 2015, respectively.

**6. Telecommunications, Plant and Equipment**

At September 30, 2016, December 31, 2015 and September 30, 2015, the telecommunications plant and equipment accounts at ICTC consisted of the following:

	<u>June 30</u> <u>2016</u>	<u>Dec. 31</u> <u>2015</u>	<u>Sept.30</u> <u>2015</u>	<u>Depreciation</u> <u>Rate</u>
Land and support assets	\$2,542	\$2,490	\$2,484	2.9%-20.0%
Central office switching equipment	5,285	4,941	6,178	6.67%-20.0%
Cable and wire facilities	15,363	15,165	14,913	3.9%-6.67%
Internet equipment	324	322	324	15.0%
Total in service	<u>23,514</u>	<u>22,918</u>	<u>23,899</u>	
Under construction	100	97	63	
	<u>23,614</u>	<u>23,015</u>	<u>23,962</u>	
Accumulated depreciation	16,879	16,229	17,210	
	<u>\$6,735</u>	<u>\$6,786</u>	<u>\$6,752</u>	

**CIBL, Inc. and Subsidiaries**  
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**7. Note Receivable**

The Company had a promissory note due from LICT with an original principal amount of \$1,500. The note was obtained in connection with the 2007 spin off of the Company from LICT. The note bore interest at 5% with interest to be paid in-kind. The note matured in 2015. Management and other service fees and expenses owed by CIBL to LICT are offset against the note on a periodic basis. As of September 30, 2015, there was a \$35 outstanding on the note receivable. During the nine month period ended September 30, 2015 management fees of \$113 were offset against the note by LICT (see Note 10). In addition, interest accrued on the note was \$3 for the nine months ended September 30, 2015.

**8. Long-Term Debt**

At September 30, 2016, December 31, 2015, and September 30, 2015, ICTC's long-term debt consisted of:

	Sept. 30 2016	Dec. 31 2015	Sept. 30 2015
RUS Broadband Loan	\$653	\$673	\$679
Subordinated notes	2,072	2,072	2,072
	2,725	2,745	2,751
Less current maturities	(27)	(26)	(24)
	<u>\$2,698</u>	<u>\$2,719</u>	<u>\$2,727</u>

ICTC has subordinated notes with former shareholders of Inter-Community for \$2,072 as of September 30, 2016. The average interest rate on the notes is 3.4% and the maturity date is December 31, 2022. Interest on the notes is paid quarterly. The notes may be prepaid at any time without penalty.

ICTC received an advance of \$713 on the Broadband Initiatives Program ("BIP") Loan (see Note 9). The loan is due in monthly payments of principal and interest over 23 years at an average interest rate of 3.02%. The BIP loan/grant agreement also includes certain financial and other covenant requirements.

**9. Treasury Stock**

Since CIBL was spun off by LICT Corporation, on November 19, 2007, under authorizations by the Board of Directors the Company has acquired 3,442 shares of its common stock at an average price of \$1,176 per share. During the nine months ended September 30, 2016, CIBL acquired 798 shares at an average price \$1,265 per share. At September 30, 2016, 2,882 shares are remaining under the Board authorized share repurchase program.

In addition to its open-market repurchase programs, the Company has conducted two tender offers for its shares, purchasing a total of 4,746 shares at an average price of \$1,100 per share.

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**10. Related Party Transactions (Not Disclosed Elsewhere)**

LICT Corporation, an affiliate, provides administrative and management services to CIBL and ICTC based on a contractual agreement. As compensation for these services, LICT received a fee during the nine month periods ended September 30, 2016 and 2015 of \$94 and \$113, respectively.

At September 30, 2016, December 31, 2015 and September 30, 2015, cash and short-term investments of \$15,563, \$5,069 and \$25,509, respectively, were invested in United States Treasury money market funds for which affiliates of one of the Company's Directors serve as investment managers.

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**CIBL, Inc. and Subsidiaries**

**Supplementary Information to  
Condensed Financial Statements**

**September 30, 2016**

**CIBL, Inc. and Subsidiaries**  
Consolidating Balance Sheets  
September 30, 2016  
(In Thousands)

	CIBL Inc. Consolidated Excluding ICTC Group, Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$14,507	\$3,169	\$--	\$17,676
Short-term investments	7,990	--	--	7,990
Accounts receivable, net of allowance of \$4	--	433	--	433
Deferred income taxes	--	81	--	81
Prepaid income taxes	355	--	--	355
Other current assets	--	465	--	465
<b>Total Current Assets</b>	<u>22,852</u>	<u>4,148</u>	<u>--</u>	<u>27,000</u>
Telecommunications, plant and equipment, net	2	6,733	--	6,735
Goodwill	--	1,772	--	1,772
Investments in equity method affiliated entities	4,927	2,042	(4,927)	2,042
Other investments, at cost	100	633	--	733
<b>Total Assets</b>	<u>\$27,881</u>	<u>\$15,328</u>	<u>(\$4,927)</u>	<u>\$38,282</u>



**CIBL, Inc. and Subsidiaries**  
Consolidating Balance Sheets – Continued  
September 30, 2016  
(In Thousands)

	CIBL Inc. Consolidated Excluding ICTC Group Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Liabilities and Equity</b>				
Current Liabilities				
Accounts payable and accrued expenses	\$147	\$88	\$--	\$235
Income tax payable	--	90	--	90
Other current liabilities	--	333	--	333
Current maturities of long-term debt	--	27	--	27
Total Current Liabilities	<u>147</u>	<u>538</u>	<u>--</u>	<u>685</u>
Long-term debt	--	2,698	--	2,698
Deferred income taxes	431	2,463	--	2,894
Construction deposit	--	32	--	32
Total Liabilities	<u>578</u>	<u>5,731</u>	<u>--</u>	<u>6,309</u>
Equity				
Common stock, par value \$.01, 30,000 shares authorized; 25,115 issued; and 16,952 outstanding	--	--	--	--
Contributed capital	3,862	1,806	(2,556)	3,112
Retained earnings	32,709	8,274	(8,274)	32,709
Treasury stock, 8,162 shares at cost	(9,268)	(483)	483	(9,268)
Total CIBL, Inc.'s Stockholders' Equity	<u>27,303</u>	<u>9,597</u>	<u>(10,347)</u>	<u>26,555</u>
Non-controlling interest	--	--	5,420	5,420
Total Equity	<u>27,303</u>	<u>9,597</u>	<u>(4,927)</u>	<u>31,973</u>
Total Liabilities and Equity	<u>\$27,881</u>	<u>\$15,328</u>	<u>(\$4,927)</u>	<u>\$38,282</u>

**CIBL, Inc. and Subsidiaries**  
Consolidating Statement of Operations  
Three Months Ended September 30, 2016  
(In Thousands)

	CIBL Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Revenue</b>				
Broadband data/communications	\$--	\$1,019	--	\$1,019
Total Revenue	--	1,019	--	1,019
<b>Costs and Expenses</b>				
Cost of operating revenue, excluding depreciation	--	404	--	404
General and administrative costs of operations	--	146	--	146
Management fees	31	25	--	56
Corporate office expense at ICTC	123	--	--	123
Corporate office expense at CIBL	-	61	--	61
Depreciation	--	235	--	235
Total Operating Expenses	154	871	--	1,025
Operating Income (Loss)	(154)	148	-	(6)
<b>Other Income (Expense)</b>				
Investment income	16	57	--	73
Interest expense	--	(24)	--	(24)
Equity in earnings of affiliated entities	80	90	(80)	90
Write-off of deferred SPAC costs	(205)	--	--	(205)
Total Other Income (Expense)	(109)	123	(80)	(66)
Net Income (Loss) Before Income Taxes	(263)	271	(80)	(72)
Income tax benefit (expense)	77	(88)	--	(11)
Net Income (Loss)	(186)	183	(80)	(83)
Non-controlling interests	4	--	(103)	(99)
Net Income (Loss) Attributable to CIBL, Inc.'s Stockholders	(\$182)	\$183	(\$183)	(\$182)

**CIBL, Inc. and Subsidiaries**  
Consolidating Statement of Operations  
Nine Months Ended September 30, 2016  
(In Thousands)

	CIBL Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Revenue</b>				
Broadband data/communications	\$--	\$3,061	--	\$3,061
Total Revenue	--	3,061	--	3,061
<b>Costs and Expenses</b>				
Cost of operating revenue, excluding depreciation	--	1,231	--	1,231
General and administrative costs of operations	--	551	--	551
Management fees	94	75	--	169
Corporate office expense at ICTC	--	212	--	212
Corporate office expense at CIBL	296	--	--	296
Depreciation	1	695	--	696
Total Operating Expenses	391	2,764	--	3,155
Operating Income (Loss)	(391)	297	--	(94)
<b>Other Income (Expense)</b>				
Investment income	63	279	--	342
Interest expense	--	(69)	--	(69)
Equity in earnings of affiliated entities	244	282	(244)	282
Write-off of SPAC costs	(205)	--	--	(205)
Total Other Income (Expense)	102	492	(244)	350
Net Income (Loss) Before Income Taxes	(289)	789	(244)	256
Income tax benefit (expense)	78	(228)	--	(150)
Net Income (Loss)	(211)	561	(244)	106
Non-controlling interests	5	--	(317)	(312)
Net Income (Loss) Attributable to CIBL, Inc.'s Stockholders	(\$206)	\$561	(\$561)	(\$206)

**CIBL, Inc. and Subsidiaries**  
Consolidating Statements of Cash Flows  
Nine Months Ended September 30, 2016  
(In Thousands)

	<u>CIBL Inc.</u>	<u>ICTC Group, Inc. Consolidated</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Cash Flows Provided By (Used In)</b>				
<b>Operating Activities</b>				
Net income (loss) attributable to CIBL, Inc.'s stockholders	(\$206)	\$561	(\$561)	(\$206)
Non-controlling interests	(5)	--	317	312
Net income (loss)	<u>(211)</u>	<u>561</u>	<u>(244)</u>	<u>106</u>
Adjustments to reconcile net income to net cash from operating activities:				
Equity in earnings of affiliated entities	(244)	(282)	244	(282)
Distributions from affiliated entities	--	95	--	95
Depreciation	1	695	--	696
Deferred income taxes	91	(19)	--	72
Shares issued in lieu of cash compensation	--	46	--	46
Unrealized gains on investments	(43)	2	--	(41)
Other	196	--	--	196
Changes in operating assets and liabilities:				
Accounts receivable	25	118	--	143
Other current assets	25	(25)	--	--
Accounts payable and accrued expenses	15	4	--	19
Income tax payable/prepaid income tax	(60)	(36)	--	(96)
Net Cash Provided By (Used In)				
Operating Activities	<u>(205)</u>	<u>1,159</u>	<u>--</u>	<u>954</u>

**CIBL, Inc. and Subsidiaries**  
Consolidating Statements of Cash Flows - Continued  
Nine Months Ended September 30, 2016  
(In Thousands)

	CIBL Inc. Consolidated Excluding ICTC Group Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Cash Flows Provided By (Used In)</b>				
<b>Investing Activities</b>				
Capital spending	--	(646)	--	(646)
Purchase of United States Treasury Bills	(27,962)	--	--	(27,962)
Redemption of United States Treasury Bills	40,000	--	--	40,000
Purchase of marketable securities	--	(281)	--	(281)
Acquisition of shares in ICTC Group, Inc.	--	--	(59)	(59)
Net Cash Provided By (Used In) Investing Activities	12,038	(927)	(59)	11,052
<b>Cash Flows Provided By (Used In)</b>				
<b>Financing Activities</b>				
Purchase of treasury stock	(1,010)	(59)	59	(1,010)
Principal payments of long-term debt	--	(20)	--	(20)
Other	(1)	--	--	(1)
Net Cash Provided By (Used In) Financing Activities	(1,011)	(79)	59	(1,031)
Net Change in Cash and Cash Equivalents	10,822	153	--	10,975
<b>Cash and Cash Equivalents</b>				
Beginning of year	3,685	3,016	--	6,701
End of period	\$14,507	\$3,169	\$--	\$17,676
<b>Supplemental Cash Flow Information</b>				
Cash paid for (recovered from) income taxes	(\$120)	\$237	\$--	\$117
Cash paid for interest	\$--	\$69	\$--	\$69

**CIBL, Inc. and Subsidiaries**

**Management's Discussion and Analysis of Financial  
Condition and Results of Operations**

**September 30, 2016**

## **Management's Discussion and Analysis of Financial Condition and Results 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**

#### **Forward-Looking Statements and Uncertainty of Financial Projections**

Forward-looking statements are not based on historical information but relate to future operations, strategies, financial results or other developments. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject, without limitation, to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company.

#### **Overview**

Currently, CIBL, Inc. ("CIBL" or the "Company") has one operating business, through a 43.5% ownership in ICTC Group, Inc. ("ICTC"), a provider of broadband data transport and voice communications in southeastern North Dakota. Under a Voting Rights Agreement, the Company's voting interest in ICTC is 55.46% and, accordingly, it reports ICTC results on a consolidated basis.

In addition, as a result of the sale of certain of its investments over the last couple of years, the majority of the Company's assets are comprised of cash and cash equivalents. As discussed in more detail below, the Company is evaluating various strategic options at this time.

#### **ICTC Group Inc.**

Though its subsidiaries, ICTC Group, Inc. (1) serves as a Rural Local Exchange Carrier ("RLEC") headquartered in Nome, ND that provides regulated telephone services approximately 1,750 access lines to a dozen small communities and the surrounding rural areas in southeastern North Dakota and (2) provides internet, broadband data and other non-regulated services to approximately 1,000 customers throughout Inter-Community's telephone service territory and in adjacent areas including Valley City, ND.

Pursuant to an Order which the FCC issued on March 30, 2016, it is now expected to finalize the A-CAM program by December 31, 2016. A-CAM is designed to make a number of significant revisions to the current Universal Service Fund ("USF") financial support mechanisms. It is anticipated that these revisions will become effective for the 10-year period beginning January 1, 2017. These revised support mechanisms will require rate-of-return RLECs such as Inter-Community Telephone Company to either adopt A-CAM funding or continue with a cost-based method. Due to the uncertainty created by the current state of the regulatory process, the Company is unable at this time to determine the impact either choice will have on the Company's future revenues. Notwithstanding, we believe that government policy will continue to encourage and support communication services in rural areas.

### Three Months Ended September 30, 2016 and 2015

The Company recorded \$1,019,000 in consolidated revenues for the three months ended September 30, 2016 as compared to \$905,000 in the respective 2015 period. All consolidated revenues were the result of CIBL's consolidation of ICTC. Regulated revenues increased by \$77,000 due to increased Universal Service Fund revenue related to cost study true-up in 2014. Broadband revenues, and other non-regulated, revenues increased by \$37,000 due to increase broadband subscribers.

Consolidated operating costs and expenses of \$1,025,000 for the three months ended September 30, 2016 consisted of \$61,000 of corporate office expense at CIBL and \$964,000 of costs and expenses associated with ICTC. Comparable amounts in the respective 2015 period were \$1,030,000, \$62,000, and \$968,000 respectively.

Accordingly, ICTC results contributed \$148,000 to CIBL's consolidated operating profit for the three months ended September 30, 2016 as compared to \$25,000 loss in the respective 2015 period and CIBL incurred an operating loss of \$154,000 for the three months ended September 30, 2016 as compared to an operating loss of \$100,000 in the respective 2015 period.

Investment income was \$73,000 for the three months ended September 30, 2016 and \$451,000 in the respective 2015 period. Investment income is primarily the cash distributions from ICTC's minority ownership in two wireless telecommunications and data operations in eastern North Dakota (North Dakota RSAs # 3 and # 5), \$51,000 in 2016 and \$449,000 in 2015. The remaining investment income is interest from United States Treasury Bills. In the third quarter of 2015, the RSA distributions included special distributions of \$380,000 relating to a lease and leaseback arrangement executed by the RSA's.

Equity in earnings of affiliates was \$90,000 for both the three months ended September 30, 2016 and 2015 and represents ICTC's minority ownership in Dakota Carrier Network, LLC ("DCN").

Interest expense was \$24,000 for the three months ended September 30, 2016, and \$23,000 in the respective 2015 period, and represents interest on ICTC's long term debt.

In 2015, CIBL formed a special purpose acquisition company, or SPAC for the purposes of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination involving the SPAC and one or more businesses. As a SPAC, PMV is a shell (blank check) company with no operations and whose purpose was to go public with the intention of merging with or acquiring a company with the proceeds of the SPAC's initial public offering ("IPO"). Despite efforts in 2015 and 2016, to effectuate an IPO, market conditions were such that the IPO could not be accomplished. In the third quarter of 2016, it was determined that the probability of a success in the near term was low and that further efforts at this time would not be productive. Accordingly, deferred costs of \$205,000 were written-off.

The Company's effective tax rates for 2016 and 2015 were (15.1%) and 14.6%, respectively. The difference between these rates and the federal statutory rate of 34% is primarily due to the double taxation on ICTC's earnings since they are not included in CIBL's consolidated tax returns, the effect of state income taxes in the Company's jurisdictions, and a dividend received deduction on the distributions from the RSA's.

Non-controlling interests in 2016 of \$99,000 and \$241,000 in 2015 and predominantly represent the share of ICTC's earnings that are attributable to the ICTC shares that are not owned by CIBL.



Because of the above, CIBL recorded a net loss of \$182,000 for the three months ended September 30, 2016 as compared to net income of \$124,000 in the respective 2015 period.

### **Nine Months Ended September 30, 2016 and 2015**

The Company recorded \$3,061,000 in consolidated revenues for the nine months ended September 30, 2016 as compared to \$2,979,000 in the respective 2015 period. All consolidated revenues were the result of CIBL's consolidation of ICTC. Regulated revenues increased by \$73,000 due to increased Universal Service Fund revenue related to cost study true-up in 2014. Non-regulated revenues increased \$8,000 due to increased broadband subscribers offset by a promotional free month of internet service in January 2016 and a decrease in facility lease revenue due to rate reductions on some circuits provided to the State of North Dakota.

Consolidated operating costs and expenses of \$3,155,000 for the nine months ended September 30, 2016 consisted of \$296,000 of corporate office expense at CIBL and \$2,764,000 of costs and expenses associated with ICTC. Comparable amounts in the respective 2015 period were \$3,155,000, \$201,000, and \$2,841,000 respectively.

Accordingly, ICTC results contributed \$297,000 to CIBL's consolidated operating profit for the nine months ended September 30, 2016 as compared to \$138,000 in the respective 2015 period, and CIBL incurred an operating loss of \$391,000 for the first three quarters of 2016, as compared to an operating loss of \$314,000 in the respective 2015 period.

Investment income was \$342,000 for the nine months ended September 30, 2016 and \$607,000 in the respective 2015 period. Investment income is primarily the cash distributions from ICTC's minority ownership in two wireless telecommunications and data operations in eastern North Dakota (North Dakota RSAs # 3 and # 5), \$264,000 in 2016 and \$589,000 in 2015. Of note, the 2016 distributions include an extra quarterly distribution as it includes distributions that were previously made in the fourth quarter of the previous year. In addition, in 2015, the RSA distributions included special distributions of \$380,000 relating to a lease and leaseback arrangement executed by the RSA's. The remaining investment income is interest from United States Treasury Bills.

Equity in earnings of affiliates was \$282,000 for the nine months ended September 30, 2016 and represents ICTC's minority ownership in Dakota Carrier Network, LLC ("DCN"). The amount was \$278,000 in the respective 2015 period.

Interest expense was \$69,000 for the nine months ended September 30, 2016, and \$90,000 in the respective 2015 period, and represents interest on ICTC's long term debt. The interest rates on certain of ICTC's subordinated notes were lowered in July 2015.

In 2015, CIBL formed a special purpose acquisition company, or SPAC for the purposes of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination involving the SPAC and one or more businesses. As a SPAC, PMV is a shell (blank check) company with no operations and whose purpose was to go public with the intention of merging with or acquiring a company with the proceeds of the SPAC's initial public offering ("IPO"). Despite efforts in 2015 and 2016, to effectuate an IPO, market conditions were such that the IPO could not be accomplished. In the third quarter of 2016, it was determined that

the probability of a success in the near term was low and that further efforts at his time would not be productive. Accordingly, deferred costs of \$205,000 were written-off.

The Company's effective tax rates for 2016 and 2015 were 58.6% and 25.5%, respectively. The difference between these rates and the federal statutory rate of 34% is primarily due to the double taxation on ICTC's earnings since they are not included in CIBL's consolidated tax returns, the effect of state income taxes in the Company's jurisdictions, and a dividend received deduction on the distributions from the RSA's.

Non-controlling interests in 2016 of \$312,000 and \$414,000 in 2015 and predominantly represent the share of ICTC's earnings that are attributable to the ICTC shares that are not owned by CIBL.

As a result of the above, CIBL recorded a net loss of \$206,000 for the nine months ended September 30, 2016 as compared to net income of \$73,000 in the respective 2015 period.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Working Capital**

As of September 30, 2016, CIBL had \$22,497,000 in cash, cash equivalents and short-term investments and ICTC had \$3,169,000.

CIBL's current assets of \$22,852,000 exceed current liabilities, of \$147,000, by \$22,705,000. ICTC's current assets of \$4,148,000 exceed current liabilities, of \$538,000, by \$3,610,000.

### **Debt**

ICTC has subordinated notes payable of \$2,072,000 outstanding, with an interest rate of 3.4%, payable quarterly, and a maturity of December 31, 2022. The notes may be prepaid at any time without penalty.

Also, ICTC currently has a loan of \$653,000 as part of the Broadband Initiatives Program which is due in monthly payments of principal and interest over 22 years at an average interest rate of 3.02%. Principal payments over the next five years are approximately \$29,000 per year.

### **Investment in ICTC Group Inc.**

In November 2012, CIBL acquired 80,000 authorized but previously unissued shares of Class A Common Stock of ICTC, for \$22 per share. On December 26, 2012, the Company completed a tender offer to ICTC shareholders in which it acquired an additional 81,552 shares for \$22.25 per share. Including related transaction costs, this resulted in a \$3,651,000 investment. Since that time, the Company purchased an additional 2,804 of ICTC at an average price of \$24.76 per share.

As of September 30, 2016, the Board of Directors of ICTC authorized the purchase of 60,000 of shares of its Class A Common Stock. Through that date, 24,037 shares of been repurchased at an average price of \$20.03 per share. 2,540 shares were purchased during the nine months ended September 30, 2016 at a price of \$22.82 per share. On October 19, 2016, the Board of Directors increased the authorization by 14,037 shares.

## **Share Repurchases and Distributions**

CIBL's Board of Directors authorized the purchase of up to 5,300 shares of its common stock. Through September 30, 2016, the Company has acquired 3,442 shares of its common stock at an average price of \$1,175. During the nine months ended September 30, 2016, it acquired 798 shares at an average price of \$1,265. Accordingly, 2,882 shares remain to be repurchased under the program.

In addition to its repurchase programs, the Company has conducted two tender offers for its shares. In December 2012, it completed a modified "Dutch Auction" tender offer and purchased 2,460 shares at an average investment, including transaction costs, of \$896 per share. In January 2014, the Company completed another modified "Dutch Auction" tender offer and purchased 2,286 shares at an investment, including transaction costs, of \$1,320 per share.

Since its spin-off from LICT Corporation in 2007, the Company has paid cumulative cash distributions to its shareholders of \$4,264,000, or \$170 per share and purchased a total of 8,187 of shares back for a total \$9,268,000, or \$1,132 per share.

## **Strategic Options**

As of September 30, 2016, the Company had \$22,497,000 of cash, cash equivalents, short-term investments.

On June 16, 2013, the Company announced that its Board of Directors had authorized the creation of a Special Purpose Acquisition Corporation ("SPAC") by CIBL. To this end, on August 7, 2015, PMV was formed by Nevada PMV as a SPAC for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination involving PMV and one or more businesses. It was anticipated that this SPAC would seek an acquisition candidate from a broad range of industries, company sizes and geographies. Despite efforts in 2015 and 2016, to effectuate an IPO, market conditions were such that the IPO could not be accomplished. In the third quarter of 2016, it was determined that the probability of a success in the near term was low and that further efforts at this time would not be productive. CIBL's Board of Directors will continue to evaluate a range of strategic options for the company.

The Board of Directors is considering a number of possible options with regard to the future activities of the Company, including but not limited to:

- Acquiring a company or business in a related or unrelated industry, including additional shares of ICTC;
- Maximizing short and long term returns on its portfolio of liquid assets through alternative investments;
- Reacquiring CIBL's outstanding common shares, through open market purchases or another "Dutch Auction" tender offer;
- Making a cash distribution to CIBL shareholders; or
- Selling CIBL's remaining assets and liquidating the Company.

Among the factors being considered by the Board of Directors in determining the best way to 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 could help to maximize shareholder value.