

**CIBL, Inc. and Subsidiaries**  
**Financial Report to Shareholders**  
**September 30, 2017**

**CIBL, Inc. and Subsidiaries**  
**Condensed Consolidated Financial Statements**  
**September 30, 2017**

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

	Sept. 30, 2017	Dec. 31, 2016	Sept. 30, 2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$21,857	\$13,073	\$17,676
Short term investments	2,995	10,983	7,990
Accounts receivable, net of allowance of \$4	515	444	433
Prepaid income tax	329	472	355
Deferred income taxes	72	75	81
Other current assets	499	402	465
<b>Total Current Assets</b>	<b>26,267</b>	<b>25,449</b>	<b>27,000</b>
Telecommunications, plant and equipment, net	6,402	6,615	6,735
Goodwill	1,772	1,772	1,772
Investments in equity method affiliated entities	3,645	3,392	2,042
Other investments, at cost	1,599	1,004	733
<b>Total Assets</b>	<b>\$39,685</b>	<b>\$38,232</b>	<b>\$38,282</b>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$82	\$257	\$235
Income tax payable	448	6	90
Other current liabilities	307	297	333
Current maturities of long-term debt	27	27	27
<b>Total Current Liabilities</b>	<b>864</b>	<b>587</b>	<b>685</b>
Long-term debt	2,670	2,691	2,698
Deferred income taxes	3,379	3,032	2,894
Construction deposit	--	--	32
<b>Total Liabilities</b>	<b>6,913</b>	<b>6,310</b>	<b>6,309</b>
<b>Equity</b>			
Common stock, par value \$.01, 30,000 shares authorized; 25,115 issued; 16,634.59; 16,834.38; and 16,927.73 outstanding	--	--	--
Contributed capital	3,099	3,102	3,112
Accumulated other comprehensive income	141	38	
Retained earnings	32,923	32,698	32,709
Treasury stock, 8,480.76; 8,280.62; and 8,187.62 shares at cost	(9,659)	(9,393)	(9,268)
<b>Total CIBL, Inc.'s Stockholders' Equity</b>	<b>26,504</b>	<b>26,445</b>	<b>26,553</b>
Non-controlling interests	6,268	5,477	5,420
<b>Total Equity</b>	<b>32,772</b>	<b>31,922</b>	<b>31,973</b>
<b>Total Liabilities and Equity</b>	<b>\$39,685</b>	<b>\$38,232</b>	<b>\$38,282</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 Sept. 30,		Nine Months Ended Sept. 30,	
	2017	2016	2017	2016
<b>Revenues</b>				
Broadband data/communications	\$1,388	\$1,019	\$4,132	\$3,061
Total Revenues	1,388	1,019	4,132	3,061
<b>Costs and Expenses</b>				
Cost of operating revenue, excluding depreciation	392	404	1,325	1,231
General and administrative costs of operations	154	146	553	551
Corporate office expense at ICTC	76	123	225	212
Corporate office expense at CIBL	66	61	202	296
Management fees	56	56	169	169
Depreciation	256	235	761	696
Total Costs and Expenses	1,000	1,025	3,225	3,155
Operating Profit(Loss)	388	(6)	907	(94)
<b>Other Income (Expense)</b>				
Investment income	132	73	377	342
Interest expense	(23)	(24)	(68)	(69)
Equity in earnings of affiliated entities	91	90	374	282
Write-off of SPAC costs		(205)	--	(205)
Other	--	--	27	--
Total Other Income, Net	200	(66)	710	350
Net Income (Loss) Before Income Taxes	588	(72)	1,617	256
Income tax expense	(273)	(11)	(751)	(150)
Net Income (Loss)	315	(83)	866	106
Non-controlling interests	(238)	(99)	(641)	(312)
Net Income (Loss) Attributable to CIBL, Inc.'s Stockholders	<u>\$77</u>	<u>(\$182)</u>	<u>\$225</u>	<u>(\$206)</u>
Basic and diluted weighted average shares outstanding	16,635.63	16,941.43	16,697.37	17,100.82
Net income (loss) per share	\$18.92	(\$4.85)	\$51.87	\$6.19
Net income (loss) per share attributable to CIBL	\$4.62	(\$10.37)	\$13.47	(\$12.04)

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2017								
	Common Shares Outstanding	Common Stock	Contributed Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Total	Non- Controlling Interests	Equity
Balance at December 31, 2016	16,834.73	\$--	\$3,102	\$38	\$32,698	(\$9,393)	\$26,445	\$5,477	\$31,922
Net income	--	--	--	--	225	--	225	641	866
Comprehensive income	--	--	--	103	--	--	<u>103</u>	134	<u>237</u>
Sub-Total							<u>325</u>		<u>1,003</u>
Consolidation of ICTC Group, Inc.	--	--	(3)	--	--	--	(3)	(62)	(65)
Issuance of ICTC Group, Inc. shares	--	--	--	--	--	--	--	78	78
Purchase of treasury stock	(200.14)	--	--	--	--	(266)	(266)	--	(266)
Balance at Sept. 30, 2017	<u>16,634.59</u>	<u>\$--</u>	<u>\$3,099</u>	<u>\$141</u>	<u>\$32,923</u>	<u>(\$9,659)</u>	<u>\$26,504</u>	<u>\$6,268</u>	<u>\$32,772</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,	
	2017	2016
<b>Cash Flows Provided By Operating Activities</b>		
Net income (loss) attributable to CIBL, Inc.'s stockholders	\$225	(\$206)
Non-controlling interests	641	312
Net income	866	106
Adjustments to reconcile net income to net cash from operating activities:		
Equity in earnings of affiliated entities	(374)	(282)
Distributions from affiliates	122	95
Depreciation	761	696
Shares issued in lieu of cash compensation	78	46
Deferred income taxes	211	72
Other investments activity – net	(40)	(41)
Other	--	196
Changes in operating assets and liabilities:		
Accounts receivable	(72)	143
Other current assets	(27)	--
Accounts payable and accrued expenses	(173)	99
Income tax payable/prepaid income tax	515	(98)
Other current liabilities	9	--
Net Cash Provided By Operating Activities	1,876	954
<b>Cash Flows Provided By Investing Activities</b>		
Capital spending	(548)	646
Purchase of United States Treasury Bills	(9,966)	(27,962)
Redemption of United States Treasury Bills	18,000	40,000
Purchase of marketable securities	(227)	(281)
Acquisition of ICTC Group, Inc. Shares	(64)	(59)
Net Cash Provided By (Used In) Investing Activities	7,195	11,052
<b>Cash Flows Used In Financing Activities</b>		
Purchase of treasury stock	(267)	(1,010)
Principal payments on loan term debt	(20)	(20)
Other	--	(1)
Net Cash Used in Financing Activities	(287)	(1,031)
Net Change In Cash And Cash Equivalents	8,784	10,975
<b>Cash and Cash Equivalents</b>		
Beginning of year	13,073	6,701
End of period	\$21,857	\$17,676
<b>Supplemental Cash Flow Information</b>		
Net cash paid for (refunds received) for income taxes	\$26	\$117
Cash paid for interest	\$68	\$69

See notes to condensed consolidated financial statements

**CIBL, Inc. and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements  
September 30, 2017  
(In Thousands)

**1. Organization**

CIBL, Inc. (the "Company" or "CIBL") currently holds an investment in a broadband data transport/communications company. At September 30, 2017, the Company held a 43.6% 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 55.8% and, accordingly, it reports ICTC results on a consolidated basis.

In addition, ICTC holds an investment in an affiliate in which it does not have majority voting control but had or has the ability to significantly influence management decisions (either through an ownership of 20% or more in a corporation, or an ownership interest in an entity which is structured as a partnership or as a 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 June 16, 2015, the Company announced that its Board of Directors had authorized the creation of a Special Purpose Acquisition Corporation ("SPAC") by CIBL. On July 21, 2015, CIBL formed Nevada PMV Acquisition Holding Company, LLC ("Nevada PMV") for the purpose of acting as the sponsor for the 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 was 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 were 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, PMV was dissolved in December 2016 and deferred costs of \$205,000 were written-off in the third quarter of 2016.

**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.

**CIBL, Inc. and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements  
September 30, 2017  
(In Thousands)

***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, 2016. 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, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. 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"). Except for a minor filing requirement, 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.

***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



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Notes to Condensed Consolidated Financial Statements  
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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, 2017, December 31, 2016 and September 30, 2016 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, 2017, December 31, 2016, and September 30, 2016 was approximately \$160. During the nine month periods ended September 30, 2017 and 2016, ICTC received combined distributions from these investments of \$217 and \$264 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**

Marketable securities, included in other investments, consist of a publicly traded common stock held by ICTC, and was classified as available-for-sale. Unrealized gains or losses, net of tax, on the Company's available-for-sale securities are excluded from earnings and included as a separate component of equity included in accumulated other comprehensive income (loss) until realized. During the nine months ended September 30, 2017, ICTC recorded a gain of \$3 on the sale of marketable securities.

Available for sale securities are valued using Level 1 inputs based on quoted prices in active markets. The cost and fair values of available-for-sale securities at September 30, 2017 December 31, 2016, along with the fair value of available-for sale securities as of December 31, 2015, were as follows:

	New Ulm Inc. Common Shares		
	Original Cost	Gross Unrealized Gains (Losses)	Fair Value
September 30, 2017	\$739	\$514	\$1,253
December 31, 2016	\$512	\$139	\$651

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September 30, 2017  
(In Thousands)

September 30, 2016	\$374	(\$6)	\$368
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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, 2016, and determined that there was no impairment at that time. There were no impairment losses recorded during the nine-month periods ended September 30, 2017 and 2016.

***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 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.

**CIBL, Inc. and Subsidiaries**  
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(In Thousands)

***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, 2017 and 2016.

***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, 2013.

***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 November 7, 2017.

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

The Company currently owns 166,556 shares of ICTC Group, Inc., or 43.6% of ICTC's total shares of Class A Common Stock outstanding of 382,384. In total, the Company paid \$3,769 or \$22.63 per share for its shares.

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

**4. Equity Method Investment in DCN**

Summarized financial information for the investment in DCN as of and for the three and one months ended September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Current assets	\$7,025	\$5,174
Property, plant and equipment, net	57,661	54,542
Other assets	639	614
Total Assets	<u>\$65,325</u>	<u>\$60,330</u>
Current liabilities	\$1,074	\$849
Equity	64,251	59,481
Total liabilities and equity	<u>\$65,325</u>	<u>\$60,330</u>
 <u>Three Months Ended</u>		
Revenues	\$11,683	\$11,565
Expenses	\$9,050	\$8,944
Net Income	\$2,633	\$2,621
 <u>Six Months Ended</u>		
Revenues	\$35,388	\$34,658
Expenses	\$27,031	\$26,445
Net Income	\$8,357	\$8,213

ICTC recognized equity earnings from DCN of \$287 and \$282 during the nine months ended September 30, 2017 and 2016, respectively. ICTC received distributions from DCN the nine-month periods ended September 30, 2017 and 2016 of \$122 and \$95, respectively.

**5. Telecommunications, Plant and Equipment**

At September 30, 2017, December 31, 2016, and September 30, 2016, the telecommunications plant and equipment accounts at ICTC consisted of the following:

	<u>Sept.30 2017</u>	<u>Dec. 31 2016</u>	<u>Sept.30 2016</u>	<u>Depreciation Rate</u>
Land and support assets	\$2,569	\$2,569	\$2,535	2.9%-20.0%
Central office switching equipment	4,160	4,104	5,210	6.67%-20.0%
Cable and wire facilities	15,710	15,496	15,235	3.9%-6.67%
Internet equipment	325	325	321	15.0%
Total in service	<u>22,764</u>	<u>22,494</u>	<u>23,301</u>	
Under construction	185	17	116	
	<u>22,949</u>	<u>22,511</u>	<u>23,417</u>	
Accumulated depreciation	16,545	15,896	16,643	
	<u>\$6,401</u>	<u>\$6,615</u>	<u>\$6,774</u>	

**CIBL, Inc. and Subsidiaries**  
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(In Thousands)

**7. Long-Term Debt**

At September 30, 2017, December 31, 2016, and September 30, 2016, ICTC's long-term debt consisted of:

	Sept. 30 2017	Dec. 31 2016	Sept. 30, 2016
RUS Broadband Loan	\$625	\$646	\$653
Subordinated notes	2,072	2,072	2,072
	2,697	2,718	2,725
Less current maturities	(27)	(27)	(27)
	<u>\$2,670</u>	<u>\$2,691</u>	<u>\$2,698</u>

ICTC has subordinated notes with former shareholders of Inter-Community for \$2,072 as of September 30, 2017. 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. 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.

**8. 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 3,735 shares of its common stock at an average price of \$1,188 per share. During the nine months ended September 30, 2017, CIBL acquired 200 shares at an average price \$1,333 per share. At September 30, 2017, 2,589 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.

**9. 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 was paid fees totaling \$169 for both the nine-month periods ended September 30, 2017 and 2016.

At September 30, 2017, December 31, 2016 and September 30, 2016, cash and short-term investments of \$20,442, \$11,766 and \$15,563, 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, 2017**

**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	\$17,527	\$4,330	\$--	\$21,857
Short-term investments	2,995	--	--	2,995
Accounts receivable, net of allowance of \$4	--	515	--	515
Deferred income taxes	--	72	--	72
Prepaid income taxes	329	--	--	329
Other current assets	32	467	--	499
<b>Total Current Assets</b>	<u>20,883</u>	<u>5,384</u>	<u>--</u>	<u>26,267</u>
Telecommunications, plant and equipment, net	1	6,401	--	6,402
Goodwill	--	1,772	--	1,772
Investments in equity method affiliated entities	7,035	2,206	(5,596)	3,645
Other investments	100	1,499	--	1,599
<b>Total Assets</b>	<u><u>\$28,019</u></u>	<u><u>\$17,262</u></u>	<u><u>(\$5,596)</u></u>	<u><u>\$39,685</u></u>

**CIBL, Inc. and Subsidiaries**  
Consolidating Balance Sheets – Continued  
September 30, 2017  
(In Thousands)

	CIBL Inc. Consolidated Excluding ICTC Group Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Liabilities and Equity</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$40	\$42	\$--	\$82
Income tax payable	--	448	--	448
Other current liabilities	--	307	--	307
Current maturities of long-term debt	--	27	--	27
Total Current Liabilities	40	824	--	864
Long-term debt	--	2,670	--	2,670
Deferred income taxes	716	2,663	--	3,379
Total Liabilities	756	6,157	--	6,913
<b>Equity</b>				
Common stock, par value \$.01, 30,000 shares authorized; 25,115 issued; and 16,634.59 outstanding	--	--	--	--
Contributed capital	3,858	1,905	(2,664)	3,099
Accumulated other comprehensive income	141	324	(324)	141
Retained earnings	32,923	9,472	(9,472)	32,923
Treasury stock, 8,480.76 shares at cost	(9,659)	(596)	596	(9,659)
Total CIBL, Inc.'s Stockholders' Equity	27,263	11,105	(11,864)	26,354
Non-controlling interest	--	--	6,268	6,268
Total Equity	27,263	11,105	(5,596)	32,772
Total Liabilities and Equity	\$28,019	\$17,262	(\$5,596)	\$39,685



**CIBL, Inc. and Subsidiaries**  
Consolidating Statement of Operations  
Three Months Ended September 30, 2017  
(In Thousands)

	CIBL Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Revenue</b>				
Broadband data/communications	\$--	\$1,388	--	\$1,388
Total Revenue	--	1,388	--	1,388
<b>Costs and Expenses</b>				
Cost of operating revenue, excluding depreciation	--	392	--	392
General and administrative costs of operations	--	154	--	154
Corporate office expense at ICTC	--	76	--	76
Corporate office expense at CIBL	66	--	--	66
Management fees	31	25	--	56
Depreciation	--	256	--	256
Total Operating Expenses	97	903	--	1,000
Operating Income (Loss)	(97)	485	--	388
<b>Other Income (Expense)</b>				
Investment income	49	83	--	132
Interest expense	--	(23)	--	(23)
Equity in earnings of affiliated entities	183	91	(183)	91
Other income (expense)	--	--	--	--
Total Other Income (Expense)	282	151	(183)	200
Net Income (Loss) Before Income Taxes	135	636	(183)	588
Income tax benefit (expense)	(58)	(215)	--	(273)
Net Income (Loss)	77	421	(183)	315
Non-controlling interests	--	--	(238)	(238)
Net Income (Loss) Attributable to CIBL, Inc.'s Stockholders	\$77	\$421	(\$421)	\$77

**CIBL, Inc. and Subsidiaries**  
Consolidating Statement of Operations  
Nine Months Ended September 30, 2017  
(In Thousands)

	CIBL Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Revenue</b>				
Broadband data/communications	\$--	\$4,132	--	\$4,132
Total Revenue	--	4,132	--	4,132
<b>Costs and Expenses</b>				
Cost of operating revenue, excluding depreciation	--	1,325	--	1,325
General and administrative costs of operations	--	533	--	533
Corporate office expense at ICTC	--	235	--	235
Corporate office expense at CIBL	202	--	--	202
Management fees	94	75	--	169
Depreciation	1	760	--	761
Total Operating Expenses	297	2,928	--	3,225
Operating Income (Loss)	(297)	1,204	--	907
<b>Other Income (Expense)</b>				
Investment income	122	255	--	377
Interest expense	--	(68)	--	(68)
Equity in earnings of affiliated entities	584	287	(497)	374
Other income (expense)	--	27	--	27
Total Other Income (Expense)	706	501	(497)	710
Net Income (Loss) Before Income Taxes	409	1,705	(497)	1,617
Income tax benefit (expense)	(184)	(567)	--	(751)
Net Income (Loss)	225	1,138	(497)	866
Non-controlling interests	--	--	(641)	(641)
Net Income (Loss) Attributable to CIBL, Inc.'s Stockholders	\$225	\$1,138	(\$1,138)	\$225

**CIBL, Inc. and Subsidiaries**  
Consolidating Statements of Cash Flows  
Nine Months Ended September 30, 2017  
(In Thousands)

	CIBL Inc.	ICTC Group, Inc. Consolidated	Eliminations	Consolidated
<b>Cash Flows Provided By (Used In)</b>				
<b>Operating Activities</b>				
Net income (loss) attributable to CIBL, Inc.'s stockholders	\$225	\$1,138	(\$1,138)	\$225
Non-controlling interests	--	--	641	641
Net income (loss)	<u>225</u>	<u>1,138</u>	<u>(497)</u>	<u>866</u>
Adjustments to reconcile net income to net cash from operating activities:				
Equity in earnings of affiliated entities	(584)	(287)	497	(374)
Distributions from affiliated entities	--	122	--	122
Depreciation	1	760	--	761
Deferred income taxes	242	(31)	--	211
Shares issued in lieu of cash compensation	--	78	--	78
Other investment activities – net	(47)	7	--	(40)
Changes in operating assets and liabilities:				
Accounts receivable	(1)	(71)	--	(72)
Other current assets	(7)	(20)	--	(27)
Accounts payable and accrued expenses	(145)	(28)	--	(173)
Income tax payable/prepaid income tax	74	441	--	515
Other current liabilities	--	9	--	9
Net Cash Provided By (Used In) Operating Activities	<u>(242)</u>	<u>2,118</u>	<u>--</u>	<u>1,876</u>

**CIBL, Inc. and Subsidiaries**  
Consolidating Statements of Cash Flows - Continued  
Six Months Ended June 30, 2017  
(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	--	(548)	--	(548)
Purchase of United States Treasury Bills	(9,966)	--	--	(9,966)
Redemption of United States Treasury Bills	18,000	--	--	18,000
Purchase of marketable securities	--	(227)	--	(227)
Acquisition of shares in ICTC Group, Inc.	--	--	(64)	(64)
Net Cash Provided By (Used In) Investing Activities	8,034	(775)	(64)	7,195
<b>Cash Flows Provided By (Used In)</b>				
<b>Financing Activities</b>				
Purchase of treasury stock	(267)	(64)	64	(267)
Principal payments of long-term debt	--	(20)	--	(20)
Net Cash Provided By (Used In) Financing Activities	(267)	(84)	64	(287)
Net Change in Cash and Cash Equivalents	7,525	1,259	--	8,784
<b>Cash and Cash Equivalents</b>				
Beginning of year	10,002	3,071	--	13,073
End of period	\$17,527	\$4,330	\$--	\$21,857
<b>Supplemental Cash Flow Information</b>				
Cash paid for (recovered from) income taxes	(\$131)	\$157	\$--	\$26
Cash paid for interest	\$--	\$68	\$--	\$68

**CIBL, Inc. and Subsidiaries**

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

**September 30, 2017**

## **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, most of all 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 43.6% 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 55.6% and, accordingly, it reports ICTC results on a consolidated basis.

In addition, as a result of the sale of certain of its investments in past 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 for approximately 1,600 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 1,075 customers throughout Inter-Community’s telephone service territory and in adjacent areas including Valley City, ND.

Beginning in early 2017, the FCC instituted a revised, voluntary USF mechanism for rate-of-return ILECs called A-CAM. For ILECs who elected A-CAM, it replaces the prior ICLS and HCLS cost-based methods, which were based on specific company or industry actual yearly expenditures for operations and capital. The A-CAM program was designed by the FCC to expedite the deployment of broadband capabilities throughout the nation’s rural areas which are served by rate-of-return carriers. The A-CAM program will provide a fixed amount of annual funding for a period of ten years, effective January 1, 2017. As part of A-CAM, Inter-Community must meet certain service requirements over the ten-year period. ICTC elected to participate in A-CAM and will receive an annual fixed payment of \$3,098,000 (paid monthly) over the next ten years. ICTC

received \$758,000 in ICLS revenues and \$629,000 of HCLS revenues in 2016 for a total of \$1,387,000.

### **Three Months Ended September 30, 2017 and 2016**

The Company recorded \$1,388,000 in consolidated revenues for the three months ended September 30, 2017 as compared to \$1,019,000 in the respective 2016 period, a \$369,000 or 36.2% increase. All consolidated revenues were the result of CIBL's consolidation of ICTC. In 2017, ICTC received \$774,000 in A-CAM support revenues as compared to \$348,000 from 2016 combined ICLS and HCLS revenues.

Consolidated operating costs and expenses of \$1,000,000 for the three months ended September 30, 2017 consisted of \$97,000 of corporate office expense at CIBL and \$903,000 of costs and expenses associated with ICTC. Comparable amounts in the respective 2016 period were \$1,025,000, \$154,000, and \$871,000 respectively.

Accordingly, ICTC results contributed \$485,000 to CIBL's consolidated operating profit for the three months ended September 30, 2017 as compared to a \$148,000 profit in the respective 2016 period, and CIBL incurred an operating loss of \$97,000 for the three months ended September 30, 2017 as compared to an operating loss of \$154,000 in the respective 2016 period.

Investment income was \$132,000 for the three months ended September 30, 2017 and \$73,000 in the respective 2016 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), \$68,000 in 2017 and \$51,000 in 2016. The remaining investment income is interest from United States Treasury Bills, and dividends from marketable securities.

Equity in earnings of affiliates was \$91,000 for the three months ended September 30, 2017 and \$90,000 in the respective 2016 period; these earnings represented ICTC's minority ownership in Dakota Carrier Network, LLC ("DCN").

Interest expense was \$23,000 for the three months ended September 30, 2017, and \$24,000 in the respective 2016 period, and represents interest on ICTC's long term debt.

The Company's effective tax rates for 2017 and 2016 were 46.5% and (15.1%), 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 2017 of \$238,000 and \$99,000 in 2016 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 income of \$77,000 for the three months ended September 30, 2017, or \$4.62 per share, as compared to a net loss of \$182,000, or \$10.37 per share, in the respective 2016 period.

## Nine Months Ended September 30, 2017 and 2016

The Company recorded \$4,132,000 in consolidated revenues for the nine months ended September 30, 2017 as compared to \$3,061,000 in the respective 2016 period, a \$1,071,000 or 35.0% increase. All consolidated revenues were the result of CIBL's consolidation of ICTC. In 2017, ICTC received \$1,549,000 in A-CAM support revenues as compared to \$1,045,000 from 2016 combined ICLS and HCLS revenues. [Why only 50% of the ACAM annual support over 75% of the year? – the \$1.045 is 75% of the '16 HCLS/ICLS]

Consolidated operating costs and expenses of \$3,225,000 for the nine months ended September 30, 2017 consisted of \$297,000 of corporate office expense at CIBL and \$2,928,000 of costs and expenses associated with ICTC. Comparable amounts in the respective 2016 period were \$3,155,000, \$391,000, and \$2,764,000 respectively.

Accordingly, ICTC results contributed \$1,204,000 to CIBL's consolidated operating profit for the nine months ended September 30, 2017 as compared to a \$297,000 profit in the respective 2016 period, and CIBL incurred an operating loss of \$297,000 for the nine months ended September 30, 2017 as compared to an operating loss of \$391,000 in the respective 2016 period.

Investment income was \$377,000 for the nine months ended September 30, 2017 and \$342,000 in the respective 2016 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), \$217,000 in 2017 and \$264,000 in 2016. The remaining investment income is interest from United States Treasury Bills, dividends from marketable securities, and a dividend from CIBL's investment in Solix.

Equity in earnings of affiliates was \$374,000 for the nine months ended September 30, 2017 and \$282,000 in the respective 2016 period. In 2016, these earnings represented ICTC's minority ownership in Dakota Carrier Network, LLC ("DCN"). ICTC's share of DCN's 2017 earnings were \$287,000. In addition, in 2017, CIBL recorded earnings from an investment in a merger/arbitrage limited partnership.

Interest expense was \$68,000 for the nine months ended September 30, 2017, and \$69,000 in the respective 2016 period, and represents interest on ICTC's long term debt.

The Company's effective tax rates for 2017 and 2016 were 46.5% and 58.6%, 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 2017 of \$641,000 and \$312,000 in 2016 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 income of \$225,000 for the nine months ended September 30, 2017, or \$13.47, as compared to a net loss of \$206,000, or \$12.04 per share, in the respective 2016 period.



## **LIQUIDITY AND CAPITAL RESOURCES**

### **Working Capital**

As of September 30, 2017, CIBL had \$21,960,000 in cash, cash equivalents, marketable securities, and other liquid investments and ICTC had \$4,330,000.

CIBL's current assets of \$20,883,000 exceed current liabilities, of \$40,000, by \$20,843,000. ICTC's current assets of \$5,348,000 exceed current liabilities, of \$824,000, by \$4,560,000.

### **Debt**

ICTC has subordinated notes payable of \$2,072,000 outstanding, with an average 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 balance of \$625,000 for a loan incurred 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 20, 2017, the Board of Directors of ICTC has authorized the cumulative purchase of 74,037 of shares of its Class A Common Stock. Through that date, 27,292 shares of been repurchased at an average price of \$21.84 per share. 1,600 shares were purchased during the nine months ended September 30, 2017 at a price of \$39.90 per share.

### **Share Repurchases and Distributions**

Through September 30, 2017, the Company has acquired 3,735 shares of its common stock at an average price of \$1,188 per share. During the nine months ended September 30, 2017, it acquired 200 shares at an average price of \$1,333 per share. As of September 30, 2017, CIBL had 2,589 shares remaining to be repurchased under the its' Board of Directors authorized repurchase 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 8,498 of shares back for a total \$9,658,000, or \$1,139 per share.

### **Strategic Options**

As of September 30, 2017, the Company had \$21,960,000 of cash, cash equivalents, and other liquid investments.

On June 16, 2015, 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 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. During 2015 and 2016 the Company expended substantial efforts to launch a SPAC. Unfortunately, market conditions did not allow us to effectuate an initial public offering and in late 2016, these efforts were abandoned and the SPAC was dissolved as of December 31, 2016,

The Board of Directors is considering several possible options regarding 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.