

## MANAGEMENT'S DISCUSSION OF OPERATIONS

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

### RESULTS OF OPERATIONS

#### Overview

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

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

On May 9, 2012, based on shareholder approval, the Company sold its interest in both RSA #3 and RSA #5 to Verizon Wireless for \$30 million, plus working capital adjustments totaling \$2 million.

#### First Quarter 2012 compared to 2011

Revenues and expenses are primarily contractual management fee arrangements that remain constant in the first quarter of both years. Due to a variance in other operating expenses, the Company's operating loss increased by \$3,000, from a loss of \$64,000 in 2011 to a loss of \$67,000 in 2012.

Equity in earnings of affiliates increased by \$196,000, or 11.6%, from \$1,169,000 in 2011 to \$1,894,000 in 2012. The increase was due to a \$153,000 increase in earnings from the Company's investments in its cellular interests. Both New Mexico RSA #3 and New Mexico RSA #5 recorded increased numbers of subscribers and revenues during 2012. In addition, in 2011 Capital's equity exceeded zero and the Company picked up \$49,000 in equity earnings as its 50% share. In 2011, CIBL did not record the equity in income or losses of Capital, because the investment in Capital has previously been written down to zero and the Company had no legal obligation to fund such losses. Partially offsetting, the Company's share of the income of Coronet decreased \$6,000, from \$32,000 in 2011 compared to \$26,000 in 2012.

Investment income was \$11,000 in 2012 compared to \$13,000 in 2011.

The Company's effective tax rates for the first quarters of 2012 and 2011 were 22.6% and 22.7%, respectively. The difference between these rates and the federal statutory rate of 34% is primarily due to state income taxes and the income attributable to the non-controlling interest, which is not included in CIBL's tax returns.

Noncontrolling interests increased by \$57,000 from \$711,000 in 2011 to \$768,000 in 2012 due to the aforementioned increase in earnings in New Mexico RSA #3 and New Mexico RSA #5.

As a result of the above, net income attributable to CIBL increased by \$84,000, or 14.7%, to \$654,000 in 2012.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of March 31, 2012, the Company has \$1,802,000 in cash. Current assets of \$1,937,000 exceed current liabilities, of \$245,000, by \$1,692,000.

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

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

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

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

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

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