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 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." On May 9, 2012, the Company sold its interests in New Mexico RSA #5 Limited Partnership and its interests in New Mexico RSA #3 Limited Partnership to Verizon Wireless for $30 million, plus working capital adjustments totaling $2 million resulting in a gain of $24.1 million.

Through a wholly-owned subsidiary, CIBL owned, until the sale date, a 51% limited partnership interest in Wescel Cellular of New Mexico LP ("Wescel Cellular"). Wescel Cellular owned a 33% limited partnership interest in RSA #5 and a 25% interest in RSA #3. Through a wholly-owned subsidiary, the Company owned an additional 8.33% limited partnership interest in RSA #3. Because of its 51% ownership, the Company consolidated 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.

Third Quarter 2012 compared to 2011

Revenues and expenses are primarily contractual management fee arrangements that remain constant year to year. Due to a variance in other operating expenses, primarily relating to the sale of the RSAs, the Company's operating loss increased by $22,000, from a loss of $64,000 in 2011 to a loss of $86,000 in 2012.

Equity in earnings of affiliates decreased by $1,302,000, or 78.4%, from $1,660,000 in 2011 to $358,000 in 2012. The decrease was primarily due to the sale of the RSAs on May 9, 2012. The Company recorded $1,653,000 of equity income in the third quarter of 2011. Equity in earnings from the broadcasting interests increased $351,000 in the 2012 period, primarily due to increased political advertising. Capital's equity now exceeds zero and in the 2012 quarter the Company recorded $232,000 in equity earnings as its 50% share.

Investment income was $12,000 in 2012 compared to $11,000 in 2011, as interest income on the cash balance offset a reduction in the interest on the note receivable due to scheduled repayments.

The Company's effective tax rates for the first quarters of 2012 and 2011 were 35.0% and 39.3%, respectively. The 2012 effective rate is the federal statutory rate due to pre-tax income in excess of $10 million and includes no state income tax. The 2011 effective rate is the federal statutory rate of 34% plus the effect of state income taxes and reduced by the income attributable to the non-controlling interest, which is not included in CIBL's tax returns.

Non-controlling interests are related to the equity earnings on the RSAs and did not apply to the 2012 period.

As a result of the above, net income attributable to CIBL decreased by $361,000 to $185,000 in 2012.

Nine months ended September 30, 2012 compared to 2011

Revenues and expenses are primarily contractual management fee arrangements that remain constant year to year. Due to a variance in other operating expenses, primarily relating to the sale of the RSAs, the Company's operating loss increased by $49,000, from a loss of $188,000 in 2011 to a loss of $236,000 in 2012.

Equity in earnings of affiliates decreased by $1,806,000, or 34.9%, from $5,169,000 in 2011 to $3,363,000 in 2012. The decrease was primarily due to the sale of the RSAs on May 9, 2012. The Company recorded equity income through the sale date in 2012 compared to a full quarter in 2011. Both New Mexico RSA #3 and New Mexico RSA #5 recorded increased numbers of subscribers and revenues during 2012. Equity in earnings from the broadcasting interests increased $442,000 in the 2012 period, primarily due to increased political advertising.

Investment income was $44,000 in 2012 compared to $49,000 in 2011, primarily due to a reduction in the amount of the note receivable.

The Company's effective tax rates for the first quarters of 2012 and 2011 were 39.3% and 39.1%, 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. In addition, the 2012 rate included state tax on the gain and a 35% federal rate due to the higher pre-tax income.

Non-controlling interests decreased by $978,000 from $2,174,000 in 2011 to $1,196,000 in 2012 due to the aforementioned reduction in equity earnings on the RSAs due to the sale on May 9, 2012.

As a result of the above and the $24.1 million pre-tax gain on the sale of the New Mexico RSAs, net income attributable to CIBL increased by $14,091,000 to $15,829,000 in 2012.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2012, the Company has $26,241,000 in cash and $4,141,000 in income tax payable, primarily resulting from the gain on the sale of the RSAs. Current assets of $26,241,000 exceed current liabilities, of $4,220,000, by $23,291,000.

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

The Company's Board of Directors authorized the repurchase of up to 1,000 shares of its common stock, including 500 shares authorized in August 2012. Through September 30, 2012, 542 shares had been repurchased at an average price of $745 per share, including 376 shares purchased in the first nine months of 2012 at an average price of $794 per share.

In November 2012, CIBL received a $1 million cash distribution from one of its Affiliated Investments, Capital Communications Inc.

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 result of the sale of the RSA's to Verizon, CIBL has considerable liquidity at this time. On November 13, 2012, the Board of Directors authorized a modified "Dutch Auction" tender offer to purchase for cash up to 7,000 shares of its outstanding common stock, at a price per share of not less than $820 nor greater than $860, for a minimum aggregate purchase price of $5,740,000 and a maximum aggregate purchase price of $6,020,000, excluding expenses of the offer.

As described in Note 6 to the Company's Quarterly Report for the Period Ended September 30, 2012, in November 2012, CIBL began three strategic initiatives:

1. it commenced a tender offer to repurchase 7,000 of its common stock,
2. it acquired 20% of ICTC Group Inc. Class A common shares outstanding, and
3. it commenced a tender offer to purchase an additional 20% of ICTC Group Inc. Class A common shares outstanding.

Subject to the ultimate results of the above initiatives, the Board will recommence consideration of a number of further options for the remainder of the Company's liquid resources. 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.