

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

Overview

CIBL, Inc.'s (the "Company" or "CIBL") current results of operations through the operating loss line include management fee revenues received from the Company's television broadcasting operations for management services less management fee expense that CIBL pays to LICT Corporation under a management agreement, and certain administrative expenses. Two significant events affect the comparability of the second quarter and six month results:

- On May 9, 2012, CIBL sold its interests in its wireless communications properties in New Mexico RSA #3 and RSA #5 for cash proceeds, net of costs, of \$31,805,000.
- In November and December 2012, CIBL acquired an approximately 40% interest in ICTC Group, Inc. ("ICTC"), a broadband/telecommunications company located in North Dakota, for \$3,651,000 including related transaction costs. On April 11, 2013, a Voting Rights Agreement brought the Company's voting interest in ICTC to 51.3% and it began reporting ICTC results on a consolidated basis. Accordingly, since April 11, 2013, CIBL's Income Statement reflects 100% of operating activities, and the 60.05% not owned by CIBL is shown as noncontrolling interests.

The majority of the Company's earnings have come from its less than 50% owned investments in operating cellular telephone providers, which were sold May 9, 2012; network-affiliated broadcasters; and broadband/telecommunication providers (ICTC), from November 21, 2012, which are reflected in "Equity in earnings of affiliated entities."

Through a wholly-owned subsidiary, CIBL owned a 51% limited partnership interest in Wescel Cellular of New Mexico LP ("Wescel Cellular"). Wescel Cellular owned 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, until both interests were sold on May 9, 2012. Because of its 51% ownership, the Company consolidated the results of Wescel Cellular. Accordingly, in the Consolidated Statements of Income, the 2012 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 2012 earnings associated with the 49% interest of Wescel Cellular that the Company does not own are classified as Non-controlling Interests. Through a wholly-owned subsidiary, the Company owned, until its sale on May 9, 2012, an additional 8.33% limited partnership interest in New Mexico RSA #3.

Second Quarter 2013 compared to 2012

As a result of obtaining in excess of 50% voting control of ICTC on April 11, 2013, the Company is consolidating ICTC's revenue and expenses, whereas in 2012, the Company did not consolidate any operating company. In 2012, the Company's revenues and certain of its expenses are based on contractual management fee arrangements. Accordingly, the Company reported operating income in 2013 of \$50,000 compared to an operating loss of \$83,000 in 2012.

Equity in earnings of affiliates consists of the following (in thousands):

	<u>Second Quarter Ended June 30,</u>		
	2013	2012	Increase (Decrease)
Coronet Communications	\$ 6	56	(50)
Capital Communications	37	29	8
Total Broadband	43	85	(42)
Wireless- New Mexico RSAs	-	1,025	(1,025)
ICTC	8	-	8
Dakota Carrier Network	97	-	97
	<u>\$ 148</u>	<u>1,110</u>	<u>(962)</u>

Equity in earnings of affiliates decreased significantly due to the sale of the Company's investments in its wireless communications interests in May 2012. The company recorded equity in earnings of ICTC until the Voting Rights Agreement was signed on April 11, 2013 and recorded equity income from ICTC's investment in Dakota Carrier Networks after April 11, 2013.

Investment income was \$50,000 in 2013 compared to \$21,000 in 2012, primarily due to interest income from our investment in U.S. Treasury securities in the 2013 period.

The Company's effective tax rates for 2013 and 2012 were 43.2% and 38.7%, respectively. The difference between these rates and the federal statutory rate of 34% in 2013 is primarily due to a deferred tax provision recorded by CIBL on ICTC's earnings, and in 2012 due to income attributable to non-controlling interests, which is not included in CIBL's taxable income, offset by the effect of state income taxes. 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 were \$85,000 in 2013 resulting from consolidating ICTC and \$428,000 in 2012 due to the earnings from New Mexico RSA #3 and RSA #5.

As a result of the above, net income attributable to CIBL was \$40,000 in 2013 compared to \$14,990,000 in 2012. The 2012 second quarter included the \$24,093,000 pre-tax gain on the sale of the New Mexico RSAs.

Six months ended June 30, 2013 compared to 2012

As a result of obtaining in excess of 50% voting control of ICTC on April 11, 2013, the Company is consolidating ICTC's revenue and expenses, whereas in 2012, the Company did not consolidate any operating company. In 2012, the Company's revenues and certain of its expenses are based on contractual management fee arrangements. Accordingly, the Company reported an operating loss in 2013 of \$27,000 compared to an operating loss of \$150,000 in 2012.

Equity in earnings of affiliates consists of the following (in thousands):

	<u>Six Months Ended June 30,</u>		
	2013	2012	Increase (Decrease)
Coronet Communications	\$ 17	82	(65)
Capital Communications	37	78	(41)
Total Broadband	54	160	(106)
Wireless- New Mexico RSAs	-	2,844	(2,844)
ICTC	77	-	77
Dakota Carrier Network	97	-	97
	<u>\$ 228</u>	<u>3,004</u>	<u>2,776</u>

Equity in earnings of affiliates decreased significantly due to the sale of the Company's investments in its wireless communications interests in May 2012. CIBL did not record its share of Capital's earnings in the first quarter of 2013 because CIBL had a negative book basis in its investment in Capital. The company recorded equity in earnings of ICTC until the Voting Rights Agreement was signed on April 11, 2013 and recorded equity income from ICTC's investment in Dakota Carrier Networks after April 11, 2013.

Investment income was \$50,000 in 2013 compared to \$21,000 in 2012, primarily due to deferred tax provisions recorded by CIBL on ICTCs earnings.

The Company's effective tax rates for 2013 and 2012 were 42.1% and 37.6%, respectively. The difference between these rates and the federal statutory rate of 34% in 2013 is primarily due to a deferred tax provision recorded by CIBL on ICTC's earnings, and in 2012 due to income attributable to non-controlling interests, which is not included in CIBL's taxable income, offset by the effect of state income taxes. 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 were \$85,000 in 2013 resulting from consolidating ICTC and \$1,196,000 in 2012 due to the earnings from New Mexico RSA #3 and RSA #5.

As a result of the above, net income attributable to CIBL was \$50,000 in 2013 compared to \$15,644,000 in 2012. The 2012 period included the \$24,093,000 pre-tax gain on the sale of the New Mexico RSAs.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2013, the Company has \$2,668,000 in cash, including \$2,639,000 from consolidating ICTC, and an additional \$17,421,000 in short term marketable securities (United States Treasury Securities). Current assets of \$20,638,000 exceed current liabilities, of \$596,000, by \$20,042,000.

CIBL has no debt at the current time but a wholly-owned subsidiary of the Company has guaranteed \$3,500,000 of Coronet's debt, which debt comes due on June 15, 2016. In addition, ICTC has \$2,277,000 of long term debt.

As noted in the Overview section, in May 2012, the Company sold its interest in both RSA #3 and RSA #5 resulting in approximately \$21,400,000 in net cash proceeds after deducting cash costs of the sales and associated cash income tax payments.

In November 2012, CIBL acquired 80,000 authorized but previously unissued shares of Class A Common Stock of ICTC Group, 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 in ICTC.

The Company's Board of Directors has authorized the purchase of up to 1,500 shares of common stock, of which 988 shares have been purchased through June 30, 2013, at an average price of \$839 per share. This includes 421 shares that were purchased in the 2013 six months, all of which were purchased in the second quarter, at an average price of \$959 per share.

In addition, during November 2012, the Company's Board of Directors authorized a modified "Dutch Auction" tender offer to purchase up to 7,000 shares of common stock which resulted in the purchase of 2,460 shares at an average price of \$896 per share.

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

CIBL has approximately \$17,400,000 in liquid assets, not including the \$2,645,000 of cash at ICTC. The Board of Directors is considering a number of additional options with regard to 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";
- Making a loan to or an investment in LICT Corporation;
- 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.