

CIBL Inc.
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To our shareholders:

CIBL continues to closely monitor developments and is actively taking steps to mitigate the potential risks related to the COVID-19 pandemic to the Company, its teammates and its customers. CIBL provides essential voice and data services to its customers. To protect its employees while continuing to provide the essential communications services needed to support remote work and remote learning, the Company adapted installation and repair service processes to limit customer contact and minimize teammate contact with other teammates. In addition, CIBL changed technician dispatch procedures to further limit contact and provided personal protective equipment, including masks, gloves and sanitizing products. Technicians are encouraged to evaluate the safety risks of each in-person installation or repair and reschedule the appointment if he or she determines that circumstances at the location present risk. Masks and social distancing are required for our office-based teammates that have been working in the Company's offices. We thank our teammates for their focus on their community.

In an effort to further assist our customers and the local community we serve, we have committed to not disconnect customers that are unable to pay their bills as a result of the economic effect of the pandemic.

CIBL's assets at June 30, 2020 consisted of:

- Cash, United States Treasury investments of \$29.1 million and an investment merger limited partnership of \$1.4 million, or \$1,811 per share. At June 30, 2020, CIBL had 16,757 common shares outstanding.
- In December 31, 2019, we acquired New Hampshire Granite, the New Hampshire operations of LICT Corporation in exchange for 1,000 shares of CIBL stock.
- 10,000 shares in Solix, Inc., a private outsourcing firm that provides, among other services, Universal Service Fund ("USF") administration services to the telecommunications industry.

During the First Six Months of 2020, we repurchased 239 of our common shares, 1.0% of our total shares outstanding, at an average price of \$1,693 per share. CIBL's shares trade on OTC Pink®: CIBY.

If you have any comments or questions, please contact us at the above or e-mail us at: office@ciblinc.com, or visit us on our website: ciblinc.com.

RESULTS OF OPERATIONS

Overview

On December 31, 2019, we acquired New Hampshire Granite, the New Hampshire operations of LICT Corporation in exchange for 1,000 shares of CIBL stock. The New Hampshire operations consist of two subsidiaries, Bretton Woods Telephone Company, Inc. (“BWTC”), a Rural Local Exchange Carrier (“RLEC”) serving the Mt. Washington/Carroll, NH area, and World Surfer, Inc., a Competitive Local Exchange Carrier serving the same area.

Three Months Ended June 30, 2020 compared to 2019

Revenues for the three months ended June 30, 2020 total \$396,000.

EBITDA improved by \$57,000 to a loss of \$ 53,000 in the second quarter of 2020 versus a loss of \$110,000 in the second quarter of 2019. The major portion of the quarter over quarter increase is related to the acquisition of New Hampshire.

	Three Months Ended June 30,	
	2020	2019
Reconciliation to net income:		
EBITDA	(\$53)	(\$110)
Investment Income	35	184
Equity in earnings of affiliated investments	22	5
Other income (expense)	1	--
Depreciation and amortization	(63)	--
Income tax benefit	19	20
Net Income	<u>(\$39)</u>	<u>\$99</u>

A management fee to LICT Corporation, of \$32,000, and other expenses including directors’ fees, professional fees, insurance, shareholder expenses and other miscellaneous office expenses. Corporate expenses were \$117,000 in 2020 and \$78,000 in 2019. This increase is the result of the addition of New Hampshire operations and one-time transition related expenses.

Investment income, of \$35,000 in 2020 and \$184,000 in 2019, primarily consists of interest from United States Treasury securities.

Equity in earnings of affiliates represents CIBL’s investment in a merger/arbitrage limited partnership investment. CIBL’s share was a gain of \$22,000 in 2020 and \$5,000 in 2019, respectively.

The Company’s effective tax rates for 2020 and 2019 were 32.7% and 25.3% respectively.

As a net result, CIBL's net loss of \$39,000, or (\$2.32) per share, in 2020 as compared to net income of \$99,000, or \$6.13 per share, in 2019.

Six Months Ended June 30, 2020 compared to 2019

Revenues for the six months ended June 30, 2020 total \$872,000.

EBITDA improved by \$235,000 to a loss of \$39,000 for the six months ended June 30, 2020 versus a loss of \$196,000 for the first six months ended June 30, 2019. The major portion of the year over year increase is related to the acquisition of New Hampshire.

	Six Months Ended June 30,	
	2020	2019
Reconciliation to net income:		
EBITDA	(\$39)	(\$196)
Investment Income	139	351
Equity in earnings of affiliated investments	(98)	54
Other income (expense)	--	--
Depreciation and amortization	(129)	--
Income tax benefit (provision)	33	(7)
Net Income	<u>(\$94)</u>	<u>\$202</u>

A management fee to LICT Corporation, of \$63,000, and other expenses including directors' fees, professional fees, insurance, shareholder expenses and other miscellaneous office expenses. Corporate expenses were \$198,000 in 2020 and \$133,000 in 2019. This increase is the result of the addition of New Hampshire operations and one-time transition related expenses.

Investment income, of \$139,000 in 2020 and \$351,000 in 2019, primarily consists of interest from United States Treasury securities.

Equity in earnings of affiliates represents CIBL's investment in a merger/arbitrage limited partnership investment. CIBL's share was a loss of \$98,000 in 2020 and a gain of \$54,000 in 2019.

The Company's effective tax rates for 2020 and 2019 were 26.0% and 3.3% respectively.

As a net result, CIBL's net loss is \$94,000, or (\$5.56) per share, in 2020 as compared to net income \$202,000, or \$12.41 per share, in 2019.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As of June 30, 2020, CIBL had \$30,615,000 in cash, cash equivalents, United States Treasury Securities and an investment in a merger limited partnership as compared to \$30,894,000 at December 31, 2019. In addition, CIBL had miscellaneous assets and liabilities.

Share Repurchases and Distributions

CIBL's Board of Directors has authorized a stock repurchase program. Since its spin-off from LICT Corporation ("LICT") on November 19, 2007, the Board has authorized the repurchase of a cumulative 6,324 shares of its common stock, of which 1,711 shares are remaining to be purchased. In 2020, 239 shares were repurchased, at an average price of \$1,693 per share.

CIBL, Inc. and Subsidiaries
Financial Statements
June 30, 2020

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

	June 30, 2020	December 31, 2019	June 30, 2019
Assets			
Current Assets			
Cash and cash equivalents	\$29,179	\$29,360	\$24,388
United States Treasury Bills	--	--	4,989
Accounts receivable, net of allowance of \$1	177	179	--
Prepaid expenses	17	34	56
Materials and supplies	59	59	--
Other current assets	55	87	5
Total Current Assets	<u>29,487</u>	<u>29,719</u>	<u>29,438</u>
Property, plant and equipment, net	1,222	1,339	--
Goodwill and other intangibles assets	405	405	--
Investments in equity method affiliated entities	1,436	1,534	1,505
Other investments, at cost	100	100	100
Other assets	146	119	--
	<u>\$32,796</u>	<u>\$33,216</u>	<u>\$31,043</u>
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued expenses	\$130	\$107	\$88
Accrued liabilities	338	282	--
Total Current Liabilities	<u>468</u>	<u>389</u>	<u>88</u>
Deferred income taxes	226	226	16
Other liabilities	104	104	--
Total Liabilities	<u>798</u>	<u>719</u>	<u>104</u>
Stockholders' Equity			
Common stock, par value \$.01, 30,000 shares authorized; 26,115 issued; and 16,757; 16,996; and 16,108 outstanding	--	--	--
Contributed capital	5,612	5,612	3,862
Retained earnings	37,529	37,649	37,645
Treasury stock, 9,359; 9,120; and 9,007 shares at cost	(11,169)	(10,764)	(10,568)
Total Stockholders' Equity	<u>31,998</u>	<u>32,497</u>	<u>30,939</u>
	<u>\$32,796</u>	<u>\$33,216</u>	<u>\$31,043</u>

See notes to consolidated financial statements

CIBL, Inc. and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
(In Thousands, Except Common Share Data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Revenue				
Total Revenue	\$396	\$--	\$872	\$--
Costs and expenses				
Cost of revenue, excluding depreciation	218	--	489	
General and administrative costs at operations	82	--	161	
Corporate office expenses	117	78	198	133
Management fee	32	32	63	63
Depreciation and amortization	63	--	129	--
Total Operating expenses	512	110	1,040	196
Operating loss	(116)	(110)	(168)	(196)
Other income				
Investment income	35	184	139	351
Equity in earnings (loss) of affiliated entity	22	5	(98)	54
Other	1	--	--	--
Total Other income	58	189	41	405
Net income (loss) Before Income Taxes	(58)	79	(127)	209
Income tax (provision) benefit	19	20	33	(7)
Net income (loss)	(\$39)	\$99	(\$94)	\$202
Basic and diluted weighted average shares	16,825	16,158	16,893	16,278
Actual Shares Outstanding	16,757	16,108	16,757	16,108
Earnings Per Share				
Net income (loss)	(\$2.32)	\$6.13	(\$5.56)	\$12.41

See notes to consolidated financial statements

CIBL, Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
(In Thousands, Except Common Share Data)

Six Months Ended June 30, 2020

	Common Shares Outstanding	Common Stock	Contributed Capital	Retained Earnings	Treasury Shares	Total Equity
Balance at January 1, 2020	16,996	\$--	\$5,612	\$37,649	(\$10,764)	\$32,497
Net Income (loss)	--	--	--	(94)	--	(94)
Purchase of Treasury shares	(239)	--	--	--	(405)	(405)
Balance at June 30, 2020	16,757	\$--	\$5,612	\$37,555	(\$11,169)	\$31,998

See notes to consolidated financial statements

CIBL, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In Thousands, Except Common Share Data)

	Six Months Ended June 30,	
	2020	2019
Cash Flows From (Used in) Operating Activities		
Net income (loss)	(\$94)	\$202
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	129	--
Equity in earnings of affiliated entities	98	(54)
Interest accreted on U.S. Treasury Bills	--	(81)
Deferred income taxes	--	(8)
Changes in operating assets and liabilities		
Accounts receivable	2	--
Prepaid/accrued income taxes	(26)	(24)
Accounts payable and accrued expenses	79	--
Other	48	15
Net Cash from Operating Activities	236	50
Cash Flows From (Used In) Investing Activities		
Capital expenditures	(12)	--
Redemption of U.S. Treasury Bills	--	15,000
Acquisition of U.S. Treasury Bills	--	(4,938)
Net Cash from (used in) Investing Activities	(12)	10,062
Cash Flows From (Used in) Financing Activities		
Purchase of treasury stock	(405)	(583)
Net Cash (used in) Financing Activities	(405)	(583)
Net Change in Cash and cash equivalents	(181)	9,529
Cash and Cash Equivalents		
Beginning of year	29,360	14,859
End of year	\$29,179	\$24,388
Supplemental Cash Flow Information		
Cash paid (received) for income taxes, net	\$--	\$--
Cash paid for interest	\$--	\$--

See notes to consolidated financial statements.

1. Organization

New Hampshire Granite

On December 31, 2019, the Company completed the acquisition of operations in New Hampshire (“NH”) from LICT Corporation (“LICT”), the publicly traded company that spun off CIBL in 2007. The acquired operations consist of Bretton Woods Telephone Company (“BWTC”), a Rural Local Exchange Carrier serving the Mt. Washington/Carroll, New Hampshire area, and World Surfer, Inc. (“WS”), a Competitive Local Exchange Carrier serving generally the same area.

The Company exchanged 1,000 shares of common stock for all outstanding shares of BWTC and WS. These companies are leading providers of broadband and communications services to an approximately 35 -square-mile area in northern New Hampshire, including the Omni Mount Washington Hotel and Resort, The Mount Washington Cog Railway and the summit of Mount Washington, New Hampshire’s highest mountain top. In addition, CIBL continues to hold a merger/arbitrage limited partnership described below.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements included the operations of the Company and its majority owned or controlled subsidiaries, including New Hampshire (“NH”). All inter-company transactions and balances have been eliminated in consolidation.

Regulatory Accounting

The activities of BWTC, wholly-owned subsidiary of NH, are regulated for the interstate jurisdiction by the Federal Communications Commission (“FCC”) and the New Hampshire Public Utilities Commission for the intrastate jurisdiction. BWTC complies with the 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 BWTC’s wireline business’ ability to establish prices to recover specific costs, or (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.

In 2019, BWTC adopted the FCC’s voluntary USF Alternative Connect America Cost Model (“A-CAM”) II effective January 1, 2019. BWTC’s A-CAM II revenues for 2020

are \$194, with the first quarter 2020 A-CAM II revenues of \$49. A-CAM II revenues for BWTC transitions down \$20 per year through 2028.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the financial statement date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

United States Treasury Bills

The Company considers all highly liquid investments with maturities in excess of three months, and no greater than six months at the date of purchase, to be short-term investments.

Accounts Receivable

Trade receivables of New Hampshire (“NH”) were 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.

Investments in Affiliated Entities, Equity Basis

The Company accounts for its investments in affiliates in which it does not have majority voting control but has the ability to significantly influence financial and operating policies, in accordance with the equity method, based upon information in such equity investees’ financial statements.

During 2016, the Company invested \$1,300 in a merger/arbitrage limited partnership (“Partnership”) whose primary purpose is to invest in liquidations; stub securities resulting from corporate merger, acquisition and recapitalization activities; and risk arbitrage transactions in connection with mergers, consolidations, acquisitions, transfers of assets, tender offers, exchange offers, recapitalizations or other similar transactions. The Partnership may engage, to a lesser extent, in other investments in securities including capital structure arbitrage, matched pair trading and related trading in options. A Director of the Company is the managing member of the limited liability company which is the General Partner of the Partnership. At June 30, 2020, December 31, 2019, and June 30, 2019, the Company’s investment was recorded at \$1,436, \$1,534 and \$1,505, respectively.

Cost Method Investment

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 ownership interest in Solix, Inc. ("Solix") is accounted for using the cost method. Solix is an outsourcing firm that provides services such as USF administration services and other business process to the telecommunications industry. The carrying value of such investment at June 30, 2020, December 31, 2019, and June 30, 2019 was \$100.

Marketable Securities

In January 2016, the FASB issued ASU 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity's accounting related to the classification and measurement of investments in equity securities. To adopt the amendments, entities are required to make a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year in which the guidance is effective.

Goodwill and Other Intangible Assets

The Company evaluates the recoverability of goodwill and other intangible assets with indefinite lives for impairment annually, or more often, whenever events or circumstances indicate that such assets may be impaired. The Company estimates the fair value of each reporting unit based on a number of subjective factors, including: (a) appropriate weighting of valuation approaches (income approach and market approaches), (b) estimates of our future cost structure, (c) discount rates for our estimated cash flows, (d) selection of peer group companies for the market approach, (e) required level of working capital, (f) assumed terminal value and (g) time horizon of cash flow forecasts.

The impairment test for other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. There were no impairment losses recorded during the Six Months Ended June 30, 2020.

Telecommunications Plant and Equipment

Additions to the Telecommunications 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 plant and equipment are 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.

Fair Value Measurement

The Company follows the authoritative guidance for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis, and of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, or are presented only in disclosures. Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in inactive markets. Level 3 inputs are unobservable.

The Company has three types of assets that are measured at fair value. A money market mutual fund that invests in United States Treasury bills, included in cash and cash equivalents, United States Treasury Bills owned by the company, included in United States Treasury Bills, and marketable securities, included in other investments, which are all classified as Level 1 inputs, because they are valued using quoted market prices. At June 30, 2020, December 31, 2019 and June 30, 2019, the money market mutual fund had values of \$29,179, \$29,360 and \$24,388, respectively; the US Treasury Bills had values of \$--, \$-- and \$4,989, respectively.

Cash in banks, trade accounts receivable, short-term borrowings, trade accounts payable and accrued liabilities are carried at cost, which approximates fair value due to the short-term maturity of these instruments.

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 Six Months Ended June 30, 2020.

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 New Hampshire ("NH") 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, 2016.

Revenue Recognition

Telephone service revenue related to New Hampshire ("NH") operations was primarily derived from regulated local, intrastate and interstate access and USF services and recognized as services are provided.

The Company's predecessor for the acquired New Hampshire Granite operations adopted all three ASCs (ASC 606) on a modified retrospective basis for its contracts with customers that had not been completed as of January 1, 2018. The Company's customer contracts include performance obligations that are satisfied as products are delivered at a point in time or over time. Under the new standard, recognizing revenue for these performance obligations is consistent with the Company's current practice of recognizing revenue.

At contract inception, the Company assesses the goods and services to be provided to the customer and identifies the associated performance obligation. The Company considers all obligations, whether they are explicitly stated in the contract or are implied by customary business practices.

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 5, 2020.

Leases

The Company adopted ASU 2016-02, Leases (Topic 842) (the New Lease Standard) as of January 1, 2019. The New Lease Standard requires lessees to recognize a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. Accounting for finance leases is substantially unchanged.

The Company adopted of the New Lease Standard using the comparative reporting at adoption method. Under this method, financial results reported in periods prior to January 1, 2019 are unchanged. The Company also elected the package of practical expedients which among other things, does not require reassessment of lease classification, initial direct costs, or terms within expired or existing contracts.

3. Treasury Stock

Since it was spun-off from LICIT Corporation on November 19, 2007, CIBL's Board of Directors has increased its authorized share repurchase program up to a cumulative 6,324 shares of common stock. During the first six months of 2020 CIBL purchased 239 shares at an average price of \$1,693 per share.

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.

4. Provision for Income Taxes

The provision (benefit) for income taxes from continuing operations for the three and six months ended June 30, 2020 and 2019 are summarized as follows:

	Three Months		Six Months	
	2020	2019	2020	2019
Current tax provision (benefit):				
Federal	(\$19)	(\$20)	(\$33)	\$15
State	--	--	--	--
	<u>(19)</u>	<u>(20)</u>	<u>(33)</u>	<u>15</u>
Deferred tax provision (benefit):				
Federal	--	--	--	(8)
State	--	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>(8)</u>
Total	<u>(\$19)</u>	<u>(\$20)</u>	<u>(\$33)</u>	<u>\$7</u>

5. Concentration of Risk

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and the note receivable. The Company's cash and cash equivalents may at times exceed federally insured amounts.

6. Related Party Transactions (Not Disclosed Elsewhere)

LICT Corporation, an affiliate, provides administrative and management services to CIBL's continuing operations. As compensation for these services, LICT received fees of \$32,000 and \$63,000 for the three and six months ended June 30, 2020 and 2019, respectively.

At June 30, 2020, December 31, 2019, and June 30, 2019, cash and short-term investments of \$29,179, \$29,360 and \$24,388, 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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