CIBL, Inc. and Subsidiaries

Condensed Consolidated Financial Statements

Quarterly Report for Period Ended June 30, 2013

CIBL, Inc. and Subsidiaries
Condensed Consolidateded Balance Sheets
(In Thousands)

		June 30, 2013	December 31, 2012	June 30, 2012
		Unaudited	Audited	Unaudited
CURRENT ASSETS				
Cash and equivalents	$	2,668	16,676	32,975
Short-term Investments		17,421	1,999	-
Accounts receivable		277	-	-
Due from affiliates		-	-	532
Other current assets		272	22	-
Total Current Assets		20,638	18,697	33,507
Telecommunications Plant Equipment		23,003	-	-
Less accumalted depreciation		(17,251)	-	-
		5,752	0	0
Investments in equity method affiliates		1,615	3,668	287
Other Investments		860	708	792
Restricted cash		545	-	-
Goodwill		1,772	-	-
Total Assets	$	31,182	23,073	34,586
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$	263	235	96
Income taxes payable		88	653	11,166
Other current liabilities		246	-	-
		597	888	11,262
LONG-TERM DEBT				
Broadband Intitiatives Program Loan		205	-	-
Other long-term debt		2,072	-	-
		2,277	0	0
OTHER LIABILITIES				
Construction deposits		43	-	-
Deferred Income Taxes		4,020	1,731	1,538
Negative Investment in Station WHBF		389	406	730
Deferred Broadband Initiatives Program Grant		340	-	-
		7,666	3,025	13,530
STOCKHOLDER'S EQUITY				
Common Stock		-	-	-
Contributed Capital		3,105	3,862	3,862
Retained earnings		18,866	18,816	17,386
Treasury stock		(3,033)	(2,630)	(192)
Total CIBL, Inc. Stockholder's Equity		18,938	20,048	21,056
Noncontrolling interests		4,578	-	-
Total Stockholder's Equity		23,516	20,048	21,056
Total Liabilities and Stockholder's Equity	$	31,182	23,073	34,586

See notes to condensed consolidated financial statements

CIBL, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(In Thousands)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2013	2012	2013	2012
Revenues	$	916	42	958	85
Costs and expenses:					
Cost of revenue, excluding depreciation		386	-	385	-
General and administrative costs of operations		94	-	94	-
Corporate office expenses		222	125	342	235
Depreciation		164	-	164	-
Total Expenses		866	125	985	235
Operating income (loss)		50	(83)	(27)	(150)
Other income (expense					
Investment income		50	21	60	32
Inrerest expense		(28)	-	(28)	-
Equity in earnings of affiliated companies		148	1,110	228	3,004
Pre-tax gain on sale of New Mexico RSAs		-	24,093	-	24,093
Total Other Income		170	25,224	260	27,129
Net Income before income taxes		220	25,141	233	26,979
Income tax expense		(95)	(9,723)	(98)	(10,139)
Net Income		125	15,418	135	16,840
Non-controlling interest		(85)	(428)	(85)	(1,196)
Net Income attributable to CIBL, Inc.	$	40	14,990	50	15,644
Weighted average shares outstanding		22,038	24,894	22,063	24,922
Net income per share attributable to CIBL	$	1.84	602.15	2.27	627.73

See notes to condensed combined financial statements

CIBL, Inc. and Subsidiaries
Condensed Combined Balance Sheets
(Unaudited)
(In Thousands)

	Shares of Common Stock outstanding		Contributed Capital	Retained earnings	Treasury stock	Total CIBL, Inc. Stockholder's Equity	Noncontrolling interests	Total Stockholder's Equity
Balance at January 1, 2012	24,949	$	3,862	2,989	(105)	6,746	4,965	11,711
Net income				15,644		15,644	1,196	16,840
Distributions to non-controlling interest							(866)	(866)
Purchase of treasury stock	(111)				(87)	(87)	-	(87)
Dividends to stockholders				(1,247)		(1,247)		(1,247)
Sale of New Mexico RSAs							(5,295)	(5,295)
Balance at June 30, 2012	24,838	$	3,862	17,386	(192)	21,056	0	21,056
Balance at January 1, 2013	22,088	$	3,862	18,816	(2,630)	20,048	-	20,048
Net income				50		50	85	135
Consolidation of ICTC Group Inc			(757)			(757)	4,493	3,736
Purchase of treasury stock	(421)				(403)	(403)		(403)
Balance at June 30, 2013	21,667	$	3,105	18,866	(3,033)	18,938	4,578	23,516

See notes to condensed consolidated financial statements

CIBL, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

		June 30, 2013	June 30, 2012
Operating activities:			
Net income attributable to CIBL	$	50	15,644
Noncontrolling interest		85	1,196
Net income		135	16,840
Depreciation		164	-
equity in earnings of affiliated companies		(228)	(3,004)
Distributions received from affiliated companies		0	2,000
Deferred tax		58	-
Gain on sale of RSAs		-	(24,093)
Accounts receivable		(47)	-
Prepaid and other current assets		(10)	13
income tax receivable/ payable		(695)	11,392
Accounts payable and accrued liabilities		(207)	(1,090)
Due from affiliates		-	(507)
Other		129	-
		(701)	1,551
Investing activities:			
Capital spending		(216)	-
Contributions in aid received		87	-
Decrease in restricted cash		70	-
Cash acquired in ICTC Group acquisition		2,577	-
Proceeds from sale of NM RSAs		-	31,674
Short term investments acquired		(15,422)	0
		(12,904)	31,674
Financing activities:			
Dividends paid to stockholders		-	(1,247)
Cash distributions to noncontrolling partner		-	(866)
Purchase of Treasury stock		(403)	(87)
		(403)	(2,200)
		(14,008)	31,025
cash at beginning of period		16,676	1,950
cash at end of period	$	2,668	32,975
Supplemental disclosures:			
Cash paid for Interest expense	$	32	-
Cash paid for income taxes		753	39

See notes to condensed consolidated financial statements

1. Organization and Basis of Presentation

Basis of Presentation

CIBL, Inc. (the "Company" or "CIBL") is engaged in broadcasting and has a 39.9% interest in the ICTC Group, Inc. ("ICTC") a telecommunications company in North Dakota (see Note 3). Effective 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, CIBL"s Income Statement and Balance Sheet will now reflect 100% of operating activities, from April 11, 2013, and the 60.05% not owned by CIBL is shown as noncontrolling interests. Investments in affiliates in which the Company does not have a majority voting control, but has the ability to significantly influence management decisions, are accounted for in accordance with the equity method, consisting of: Coronet Communications Company ("Coronet") (20% owned for all periods presented), Capital Communications Company, Inc. ("Capital") (49% owned for all periods presented) and ICTC (39.9% owned since its acquisition in December 2012 to April 10, 2013). Prior to its sale in May 2012 (see Note 2), the Company consolidated its 51% ownership of Wescel Cellular of New Mexico, L.P., whose sole assets include 25% and 33% interests in RSA #3 and RSA #5, respectively, and its 100% ownership in Wescel Cellular Inc II, whose sole asset was a 8.3% interest in RSA #3. Earnings from the RSAs were included in equity in earnings of affiliated companies. The 49% ownership interest in Wescel Cellular of New Mexico, L.P., not owned by CIBL, Inc., was shown as non-controlling interest in the accompanying 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, 2012. 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 six month periods ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. 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). The North Dakota Public Service Commission does not regulate RLEC's with fewer than 8,000 access lines, such as Inter-Community. 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. Criteria that would give rise to the discontinuance 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.

Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Business and Credit Risk

ICTC provides telephone, internet and other nonregulated services on account to its customers located in southeastern North Dakota. The Company also provides access service on account to various long distance companies, which provide toll service to the Company's customers.

The FCC has proposed significant changes to the rules affecting the revenues of rural telecommunications carriers. The Company serves high cost rural areas and receives a significant portion of revenues from federal support mechanisms and access revenues from long distance carriers. ICTC's revenues are significantly dependent on the continuation and level of such support mechanisms.

The Company's cash balances are maintained in bank depositories and periodically exceed federally insured limits.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash deposits with a maturity of three months or less at the time of purchase to be cash and cash equivalents.

Short-term Investments

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. At June 30, 2013 and December 31, 2012, the Company's short-term investments consisted of U.S. Treasury Bills.

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 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.

Investments

Investments in limited liability companies (LLC's) are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost, then reduced by the dividends and increased or decreased by the investor's proportionate share of the investee's net earnings or loss. All other investments are stated at cost.

Goodwill

Goodwill is tested annually for impairment, or more frequently, if deemed necessary. The Company tests goodwill for impairment using a two-step process. The first step is a screen for potential impairment in which the Company 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 our future cost structure, (c) discount rates for estimated cash flows, (d) selection of peer group companies for our market approach, (e) required level of working capital, (f) assumed terminal value, and (g) time horizon of cash flow forecasts. The Company 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, 2012, and determined that there was no impairment at that time. There were no impairment losses recorded during the periods ending June 30, 2013 and 2012.

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.

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 by 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 periods ended June 30, 2013 and 2012.

2. Disposition of Interests in New Mexico RSA 3 and 5

On May 9, 2012, CIBL sold its interest in its telecommunications properties, both New Mexico RSA #3 and RSA #5 to Verizon Wireless for $30 million, plus working capital adjustments totaling $2.0 million, resulting in a pre-tax gain of $24.1 million.

3. Acquisition of Interest in ICTC Group, Inc.

CIBL acquired 80,000 authorized, but previously unissued shares of Class A Common Stock of ICTC Group, Inc. for $22 per share in November 2012. 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, bringing its ownership interest to 39.95% at December 31, 2012. CIBL accounted for this investment in accordance with the equity method until April 10, 2013. Effective 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. Due to common ownership of both CIBL and ICTC, the acquired assets and liabilities were accounted for at their net book values and the difference between the acquisition price and the book value of the net assets was charged to contributed capital.

ICTC is a telecommunications company providing regulated telephone service, internet and other non-regulated services in southeastern North Dakota.

4. Equity Method Investments

Investment in Broadcasting Companies

Summarized combined financial information for investments in broadcasting companies, owned by Coronet and Capital, accounted for by the equity method as of and for the three and six months ended June 30, is as follows:

	June 30, 2013	June 30, 2012
Current assets	$ 6,703	$ 7,094
Property, plant and equipment, intangibles and other	5,823	6,086
Total Assets	$ 12,526	$ 13,180
Current liabilities	$ 2,877	$ 3,465
Long term liabilities	11,529	13,422
Equity	(1,880)	(3,707)
Total Liabilities and Equity	$ 12,526	$ 13,180
Three Months Ended		
Revenues	$ 3,773	$ 3,726
Gross profit	329	1,337
Net income	214	341

Six Months ended:				
Revenues	$	7,355	$	7,154
Gross profit		2,043		2,431
Net income		328		569

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

Investment in Dakota Carrier Network

Summarized financial information for ICTC's investment in DCN as of and for the three and six months ended June 30, is as follows:

	June 30, 2013		June 30, 2012	
Current assets	$	5,525	$	4,302
Other assets		2,078		2,182
Property, net		38,792		38,185
Total Assets	$	46,395	$	44,669
Current liabilities	$	421	$	1,370
Members' Equity		45,974		43,299
Total Liabilities and Equity	$	46,395	$	44,669
Three Months Ended				
Revenues	$	11,416	$	11,307
Gross profit		4,890		4,875
Net income		3,211		3,447
Six Month Ended				
Revenues	$	22,642	$	22,439
Gross Profit		9,889		9,639
Net Income		6,551		6,830

5. Long-Term Debt

ICTC has subordinated notes with former shareholders of Inter-Community for $2,071,800 as of June 30, 2013 and December 31, 2012. The Company restructured the interest rate on the notes from 8% to 6% effective January 1, 2012, and the maturity date was extended to December 31, 2022. Interest on the notes is paid quarterly. The notes may be prepaid at any time without penalty.

ICTC also has a Broadband Initiatives Program Loan. See Note 6 for additional information relating to the loan/grant agreement. The loan is due in monthly payments of principal and interest over 23 years at an interest rate of 2.73%. The funds advanced were deposited into a pledged deposit account, the disbursements from which are restricted by the provisions of the loan/grant agreement. The loan/grant agreement also includes certain financial and other covenant requirements.

It is estimated that principal repayments on ICTC's debt outstanding as of June 30, 2013 will be approximately $7,000 per year for the next five years.

6. Broadband Initiatives Program

ICTC was awarded a stimulus loan and grant pursuant to the American Recovery and Reinvestment Act of 2009 to finance the construction of a broadband infrastructure project in rural areas. The $2,338,651 project is expected to be completed during 2013. The project is being funded through a loan from the Rural Utilities Service (RUS) of $713,289, and a grant through the Broadband Initiatives Program administered by RUS, of $1,625,362. ICTC received $204,942 in advances on the broadband loan during the six month period ending June 30, 2013 and also received $466,998 in grant funds relating to the project. ICTC has applied $126,537 of the grant funds against construction costs with the remaining grant funds of $340,461 being deferred until eligible program costs are incurred. Loan and grant funds totaling $545,050 are restricted for future eligible project costs and are included in Restricted Cash as of June 30, 2013.

7. Treasury Stock

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.

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. In 2012, the Company purchased 2,460 shares from the Dutch auction, at an average investment of $896 per share.

8. Related Party

Management fee income for the three and six month periods were received from Capital and Coronet, based on management agreements.

CIBL has a temporary management and administrative services agreement with LICT Corporation, its former parent, with a fee for such services at a rate of $200,000 per year.