

## **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**

CIBL's results of operations through the operating loss line are primarily affected by the operations of Giant. Giant is a cable television provider in northeast Kansas, with 1,802 cable television subscribers and 635 high-speed data subscribers as of March 31, 2009. Also included in revenues are management fees received from the Company's television broadcasting operations, paid to CIBL for management services.

As of June 2009, Giant was in compliance with the digital service requirements of the Federal Communications Commission. Giant decided to shut down service to several towns instead of upgrading, resulting in a loss of approximately 200 cable subscribers. It has and expects to continue to increase both its cable TV and high speed internet customers with the upgraded service.

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 companies."

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 Combined Statements of Income, the equity in earnings of affiliated companies 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 Minority 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.

#### **Three months ended March 2009 compared to 2008**

Revenues increased by \$59,000, or 20.3%, in the first quarter of 2009 compared to 2008 entirely due to an increase in Giant revenue. Giant has fewer cable TV subscribers in 2009, resulting from its decision to shut down service to several towns, however, revenue increased due to an increase in the number of its high-speed data subscribers and increased revenue per cable subscriber due to the upgrade in service. Management fees from the broadcasting interests remained the same in both periods.

Total expenses increased by \$93,000, or 23.7%, in the first quarter of 2009. Operating cost increased by \$76,000 due to increased programming costs and other costs. Management fees remained the same in both periods. Depreciation expense, entirely related to Giant, was \$17,000 higher in the first quarter of 2009.

As a result of the above, the Company's operating loss increased by \$34,000, from a loss of \$102,000 in the first quarter of 2008 to a loss of \$136,000 in 2009.

Equity in earnings of affiliates increased by \$77,000, or 7.6%, from \$1,010,000 in 2008 to \$1,087,000 in 2009. The increase was primarily due to increased 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 2008, which resulted in the increased earnings. The Company share of the losses of Coronet was \$33,000 in the 2009 compared to \$42,000 in 2008. CIBL does not record the equity in losses of Capital, because the investment in Capital has previously been written down to zero and the Company has no legal obligation to fund such losses.

Investment income was \$17,000 in 2009 compared to \$23,000 in 2008. The decrease was primarily due to a reduction in interest income on the cash balance.

Minority interests increased from \$446,000 in 2008 to \$482,000 in 2009 due to the aforementioned increase in earnings in New Mexico RSA #3 and New Mexico RSA #5.

The Company's effective tax rates for 2009 and 2008 were 39.9% and 40.0%, respectively. The difference between these rates and the federal statutory rate of 34% is primarily due to state income taxes.

As a result of the above, net income was level, \$292,000 in the first three months of 2009 compared to \$291,000 in 2008.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of March 31, 2009, the Company has \$1,574,000 in cash. Current assets of \$1,892,000 exceed current liabilities, of \$1,684,000, by \$208,000.

CIBL liquidity and on-going cash flow is heavily dependent on the cash distributions from New Mexico RSA #5 and New Mexico RSA #3. The Company's net cash distributions received, net of payments to the minority partner of Wescel Cellular (Verizon Wireless), were \$677,000 in the first quarter of 2009 compared to \$363,000 in 2008. In addition, the Company received broadcast management fees of \$43,000 in both 2009 and 2008. In total, CIBL's operating activities provided cash of \$884,000 in 2009 and \$658,000 in 2008. It has purchased property and equipment of \$93,000 in 2009 and \$110,000 in 2008. Giant is anticipating capital expenditures of approximately \$700,000 in 2009.

New Mexico RSA #3 made cash distributions in the first quarter of 2009 but will not make further cash distributions until the debt incurred in the Alltel acquisition is repaid. Verizon estimates that cash distributions will resume in the third quarter of 2010. Notwithstanding, the Company believes that New Mexico RSA #5 and New Mexico RSA #3 will continue to generate cash distributions at levels adequate to fund the Company's on-going cash needs. In addition, the Company is evaluating financing alternatives to supplement its liquidity and to support the capital spending needs of Giant. While management expects to obtain adequate financing resources to enable the Company to meet its obligations, there cannot be complete assurance that such can be obtained readily or at reasonable costs.

The Company has received and is reviewing an expression of interest in certain of its telecommunications properties. If a transaction ultimately results from that expression of interest, the proceeds could result in a value in excess of the current trading price for CIBL stock. There can be no assurance that this expression of interest will result in a transaction of any sort, and the Company cannot predict the outcome, timing or any other element of this matter.

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 December 31, 2010.