

# CTM MEDIA HOLDINGS, INC.

## FORM 10-K/A (Amended Annual Report)

Filed 12/05/11 for the Period Ending 07/31/11

Address	11 LARGO DRIVE SOUTH STAMFORD, CT 06907
Telephone	203-323-5161
CIK	0001463833
Symbol	CTMMA
SIC Code	7310 - Advertising
Fiscal Year	07/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K/A**

**Amendment No. 1**

- Annual report pursuant to section 13 or 15(d) of the securities exchange act of 1934 for the fiscal year ended July 31, 2011, or  
 Transition report pursuant to section 13 or 15(d) of the securities exchange act of 1934.

Commission File Number: 000-53718

**CTM MEDIA HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or  
organization)

**26-4831346**  
(I.R.S. Employer Identification No.)

**11 Largo Drive South, Stamford, CT 06907**  
(Address of principal executive offices, zip code)

**(203) 323-5161**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to section 12(g) of the Act:

Class A common stock, par value \$0.01 per share  
Class B common stock, par value \$0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based on the closing price on January 31, 2011 (the last business day of the registrant's most recently completed second fiscal quarter) of the Class A common stock of \$2.15 and of the Class B common stock of \$2.15 as reported on the Pink OTC Markets, was approximately \$5,901,300.

As of December 1, 2011, the registrant had outstanding 1,106,545 shares of Class A common stock, 6,126,267 shares of Class B common stock, and 1,090,775 shares of Class C common stock. Excluded from these numbers are 178,517 shares of Class A common stock and 797,183 shares of Class B common stock held in treasury by CTM Media Holdings, Inc.

### Explanatory Note

CTM Media Holdings, Inc. (the "Company") is filing this amendment to our Annual Report on Form 10-K for the fiscal year ended July 31, 2011, which was originally filed with the Securities and Exchange Commission (the "SEC") on October 28, 2011 (the "Original Filing") to correct a typographical error in the Company's financial statements as set forth below.

Item 15 of the Original Filing is amended and restated by this Amendment No. 1 to Annual Report on Form 10-K/A as a result of a typographical error in the Consolidated Statements of Operations. Specifically, the Consolidated Statements of Operations is amended to indicate that the weighted-average number of shares used in calculation of the dilutive earning per share is not zero. The Notes to the Consolidated Financial Statements have been revised accordingly.

For purposes of this Amendment, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Items 15 of the Original Filing has been amended and restated in their entirety.

Except as stated herein, this Amendment does not reflect events occurring after the filing of the Original Filing and no attempt has been made in this Amendment to modify or update other disclosures as presented in the Original Filing. All other Items of the Original Filing have been omitted from this Amendment. Accordingly, this Amendment should be read in conjunction with our filings with the SEC subsequent to the filing of the Original Filing.

### Part IV

#### Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

1. Report of Management on Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firms on Consolidated Financial Statements

Consolidated Financial Statements covered by Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedule.

All schedules have been omitted since they are either included in the Notes to Consolidated Financial Statements or not required or not applicable.

3. The exhibits listed in paragraph (b) of this item.

(b) Exhibits.

Exhibit Number	Description of Exhibits
2.1(1)	Separation and Distribution Agreement, dated September 14, 2009.
3.1(2)	Amendment No. 1 to the Second Restated Certificate of Incorporation of the Registrant.
3.2(3)	By-laws of the Registrant.
10.1(3)	2009 Stock Option and Incentive Plan of CTM Media Holdings, Inc.#
10.2(1)	Master Service Agreement, dated September 14, 2009.
10.3(1)	Tax Separation Agreement, dated September 14, 2009.

10.4(4) Restricted Stock Agreement, dated October 14, 2009 between the Company and Howard Jonas. #

14.1(1) Code of Business Ethics and Conduct, adopted on August 18, 2009.

21.1 Subsidiaries of the Registrant.

23.1\* Consent of Zwick & Banyai, PLLC.

31.1\* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2\* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1\* Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2\* Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

# Management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to the Company's Form 10-K filed October 29, 2009.
- (2) Incorporated by reference to the Company's Form 10-K filed October 28, 2011.
- (3) Incorporated by reference to the Company's Form 10-12G/A filed August 10, 2009.
- (4) Incorporated by reference to the Company's Form 8-K filed October 20, 2009.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

**CTM MEDIA HOLDINGS, INC.**

By: /s/ Marc E. Knoller

**Marc E. Knoller**  
**Chief Executive Officer**

Date: December 5, 2011

## REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We, the management of CTM Media Holdings, Inc. (the “Company”), are responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Management has evaluated internal control over financial reporting by the Company using the criteria for effective internal control established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has assessed the effectiveness of the Company’s internal controls over financial reporting as of July 31, 2011. Based on this assessment, we believe that the internal control over financial reporting of the Company as of July 31, 2011 was effective and through operation provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

This annual report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company as a small reporting filer, to provide only management’s report in this annual report.

/s/ Marc E. Knoller

**Marc E. Knoller**

Chief Executive Officer, President and Director (Principal Executive Officer)

/s/ Leslie B. Rozner

**Leslie B. Rozner**

Chief Financial Officer, Treasurer and Corporate Secretary  
(Principal Financial Officer and Principal Accounting Officer)

**CTM MEDIA HOLDINGS, INC.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON  
CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors and Stockholders of CTM Media Holdings, Inc and Subsidiaries:

We have audited the accompanying consolidated balance sheets of CTM Media Holdings, Inc. and Subsidiaries as of July 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended July 31, 2011. These financial statements are the responsibility of the CTM Media Holdings, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts in the disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CTM Media Holdings, Inc. and Subsidiaries as of July 31, 2011 and 2010, and the consolidated results of its operations, stockholders' equity (deficit), and its cash flows for each of the years in the two-year period ended July 31, 2011, in conformity with generally accepted accounting principles in the United States of America.

/s/ Zwick & Banyai, PLLC

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**Zwick & Banyai, PLLC**

Southfield, Michigan

October 27, 2011



**CTM MEDIA HOLDINGS, INC.**

**CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share data)	Fiscal Year Ended July 31,	
	2011	2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,001	\$ 6,516
Short term investment	1,033	1,030
Trade accounts receivable, net	3,383	3,496
Inventory – finished goods	1,743	1,462
Prepaid expenses	938	965
Note receivable – current portion	975	321
Total current assets	15,073	13,790
Property and equipment, net of accumulated depreciation of \$7,996 and \$7,251 at July 31, 2011 and 2010, respectively	2,021	2,013
Licenses and other intangibles, net	36	17
Note receivable	1,425	2,400
Deferred tax	2,262	-
Other assets	183	181
Total assets	\$ 21,000	\$ 18,401
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Trade accounts payable	\$ 1,117	\$ 1,187
Accrued expenses	1,801	1,539
Deferred revenue	1,948	2,035
Due to IDT Corporation	31	38
Income taxes payable	451	770
Capital lease obligations—current portion	230	227
Other current liabilities	616	646
Total current liabilities	6,194	6,442
Capital lease obligations—long-term portion	355	286
Total liabilities	6,549	6,728
Commitments and contingencies		
Stockholders' Equity		
CTM Media Holdings, Inc. stockholders' equity (deficit):		
Preferred stock, \$0.01 par value; authorized shares—500 and 10,000 shares July 31, 2011 and 2010 respectively; no shares issued	—	—
Class A common stock, \$0.01 par value; authorized shares—6,000 and 35,000 shares at July 31, 2011 and 2010, respectively; 1,285 shares issued and outstanding at July 31, 2011 and 2010, respectively	13	13
Class B common stock, \$0.01 par value; authorized shares—12,000 and 65,000 shares at July 31, 2011 and 2010, respectively; 6,920 shares issued and outstanding at July 31, 2011 and 2010, respectively	69	69
Class C common stock, \$0.01 par value; authorized shares—2,500 and 15,000 shares at July 31, 2011 and 2010, respectively; 1,091 shares issued and outstanding at July 31, 2011 and 2010, respectively	11	11
Additional paid-in capital	56,826	58,548
Treasury Stock, at cost, consisting of 179 shares of shares of Class A and 797 shares of Class B at July 31, 2011, and 2010, respectively	(1,070)	(1,070)
Accumulated other comprehensive income	208	117
Accumulated deficit	(42,114)	(46,235)
Total CTM Media Holdings, Inc. stockholders' equity	13,943	11,453
Non-controlling interests	508	220
Total stockholders' equity	14,451	11,673
Total liabilities and stockholders' equity	\$ 21,000	\$ 18,401

See accompanying notes to consolidated financial statements.

**CTM MEDIA HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)	<b>Fiscal Year ended July, 31</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenues</b>	<b>\$ 32,319</b>	<b>\$ 30,026</b>
<b>Costs and expenses:</b>		
Direct cost of revenues	14,803	14,148
Selling, general and administrative (i)	14,813	14,218
Depreciation and amortization	753	859
Bad debt	84	63
<b>Total costs and expenses</b>	<b>30,453</b>	<b>29,288</b>
Income from operations	1,866	738
Interest income (expense), net	57	(75)
Other income (expense), net	58	(163)
Income from continuing operations before income taxes	1,981	500
Benefit from (Provision for) income taxes	2,445	(91)
Income from continuing operations	4,426	409
<b>Discontinued operations net of tax: (Note 2)</b>		
Loss from discontinued operations	—	(623)
Gain from sale of discontinued operations	—	1,599
Total income from discontinued operations	—	976
<b>Net Income</b>	<b>4,426</b>	<b>1,385</b>
Less - net income attributable to non-controlling interests	(305)	(137)
<b>Net income attributable to CTM Media Holdings, Inc.</b>	<b>4,121</b>	<b>1,248</b>
<b>Amounts Attributable to CTM Media Holdings common stockholders:</b>		
Income from continuing operations	4,121	272
Income from discontinued operations	—	976
<b>Net income attributable to CTM Media Holdings, Inc.</b>	<b>\$ 4,121</b>	<b>\$ 1,248</b>
<b>Earnings per share attributable to CTM Media Holdings, Inc. common stockholders:</b>		
Basic:		
Income from continuing operations	\$ 0.49	\$ 0.04
Income from discontinued operations	\$ —	\$ 0.16
Net Income	\$ 0.49	\$ 0.20
Weighted-average number of shares used in calculation of basic earnings per share:	8,323	6,188
Diluted:		
Income from continuing operations	\$ 0.49	\$ 0.03
Income from discontinued operations	\$ —	\$ 0.13
Net Income	\$ 0.49	\$ 0.16
Weighted-average number of shares used in calculation of dilutive earnings per share:	8,323	7,839
(i) Stock-based compensation included in selling, general and administrative expenses	275	357

See accompanying notes to consolidated financial statements.



on restricted stock	—	—	—	—	—	—	275	—	—	—	—	275
Dividends (\$0.24 per common share)	—	—	—	—	—	—	(1,997)	—	—	—	—	(1,997)
Distributions	—	—	—	—	—	—	—	—	—	—	(17)	(17)
Repurchase of non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	91	—	—	91
Net income for the year ended July 31, 2011	—	—	—	—	—	—	—	—	—	4,121	305	4,426
Comprehensive income	—	—	—	—	—	—	—	—	91	4,121	305	4,426
<b>BALANCE AT JULY 31, 2011</b>	<b>1,285</b>	<b>\$ 13</b>	<b>6,924</b>	<b>\$ 69</b>	<b>1,091</b>	<b>\$ 11</b>	<b>\$ 56,826</b>	<b>\$ (1,070)</b>	<b>\$ 208</b>	<b>\$ (42,114)</b>	<b>\$ 508</b>	<b>\$ 14,451</b>

See accompanying notes to consolidated financial statements.

**CTM MEDIA HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<b>Fiscal Year ended July 31, (in thousands)</b>	<b>2011</b>	<b>2010</b>
<b>Operating activities</b>		
Net Income	\$ 4,426	\$ 1,385
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	-	623
Depreciation and amortization	753	859
Bad debt	84	63
Gain on sale of WMET	-	(1,599)
Stock-based compensation	275	357
Change in assets and liabilities:		
Trade accounts receivable	(1)	221
Inventory, prepaid and other assets	(2,567)	(62)
Trade accounts payable, accrued expenses, and other current liabilities	253	391
Income tax payable	(319)	80
Deferred revenue	(87)	306
Net cash provided by operating activities	<u>2,817</u>	<u>2,624</u>
<b>Investing activities</b>		
Capital expenditures	(363)	(416)
Purchase of IDW non-controlling interest	-	(414)
Payments received on notes receivable	321	—
Proceeds from sale of WMET	-	1,221
Net cash (used in) provided by investing activities	<u>(42)</u>	<u>391</u>
<b>Financing activities</b>		
Dividend paid	(1,997)	(2,581)
Repurchases of Class A and Class B common stock	-	(1,070)
Distributions to holders of non-controlling interests	(17)	(1,039)
Funding provided by IDT Corporation, net	-	2,372
Repayments of capital lease obligations	(276)	(246)
Net cash used in financing activities	<u>(2,290)</u>	<u>(2,564)</u>
<b>Discontinued operations</b>		
Net cash used in operating activities	-	(412)
Net cash used in investing activities	-	(3)
Net cash used in discontinued operations	<u>-</u>	<u>(415)</u>
Net increase in cash and cash equivalents	<b>485</b>	<b>36</b>
Cash and cash equivalents at beginning of period	<u>6,516</u>	<u>6,480</u>
Cash and cash equivalents at end of period	<u>\$ 7,001</u>	<u>\$ 6,516</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash payments made for interest	27	109
Cash payments made for income taxes		1
<b>Supplemental schedule of non cash investing and financing activities</b>		
Purchases of property and equipment through capital lease obligations	351	-
Receipt of note receivable as part of sale of WMET	-	2,400

The effect of exchange rate changes on cash and cash equivalents is not material.

See accompanying notes to consolidated financial statements.

## CTM MEDIA HOLDINGS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1—Description of Business and Summary of Significant Accounting Policies

##### *Description of Business*

CTM Media Holdings, Inc. (the “Company”) is a holding company consisting of the following principal businesses:

- CTM Media Group (“CTM”), the Company’s brochure distribution company and other advertising-based product initiatives focused on small to medium sized businesses; and
- The Company’s approximately 77% interest in Idea and Design Works, LLC (“IDW”), which is a comic book and graphic novel publisher that creates and licenses intellectual property.

The Company was formerly a subsidiary of IDT Corporation. On September 14, 2009, the Company was spun-off by IDT Corporation and became an independent public company (the “Spin-Off”). IDT Corporation transferred its ownership in all of the entities that became the Company’s consolidated subsidiaries to the Company prior to the Spin-Off. The entities that became direct or indirect subsidiaries are: CTM; Beltway Acquisition Corporation; IDT Local Media, Inc. (which conducted certain operations related to CTM that are no longer active) and IDT Internet Mobile Group, Inc. (“IIMG”). IIMG owns approximately 76.665% of the equity interests in IDW. All indebtedness owed by any of these entities to IDT Corporation or its affiliates was converted into a capital contribution.

The Company’s authorized capital stock consists of (a) 35,000,000 shares of Class A common stock, (b) 65,000,000 shares of Class B common stock, (c) 15,000,000 shares of Class C common stock, and (d) 10,000,000 shares of Preferred Stock. IDT Corporation completed the Spin-Off through a pro rata distribution of the Company’s common stock to IDT Corporation’s stockholders of record as of the close of business on August 3, 2009 (the “record date”). As a result of the Spin-Off, each of IDT Corporation’s stockholders received: (i) one share of the Company’s Class A common stock for every three shares of IDT Corporation’s common stock held on the record date; (ii) one share of the Company’s Class B common stock for every three shares of IDT Corporation’s Class B common stock held on the record date; (iii) one share of the Company’s Class C common stock for every three shares of IDT Corporation’s Class A common stock held on the record date; and (iv) cash from IDT Corporation in lieu of a fractional share of all classes of the Company’s common stock. Upon completion of the Spin-Off, the Company had 1,300,000 shares of Class A common stock, 5,100,000 shares of Class B common stock and 1,100,000 shares of Class C common stock outstanding.

On December 20, 2010 the Company’s authorized shares of: (i) Class A common stock was reduced from 35,000,000 shares to 6,000,000 shares; (ii) Class B common stock was reduced from 65,000,000 shares to 12,000,000 shares; (iii) Class C common stock was reduced from 15,000,000 shares to 2,500,000 shares; and (iv) Preferred Stock was reduced from 10,000,000 shares to 500,000 shares, each par value \$0.01 per share. The amendment was authorized by the Company’s Board of Directors on October 19, 2010, and approved on November 12, 2010 by the Written Consent of the holders of shares representing approximately 50.1%, 58%, and 100% of the Company’s outstanding Class A common stock, Class B common stock and Class C common stock, respectively and approximately 84% of the combined voting power of the Company’s outstanding capital stock.

Prior to the Spin-Off, IDT Corporation provided certain services to the entities that became the Company’s consolidated subsidiaries. The Company and IDT Corporation entered into the Master Services Agreement, dated September 14, 2009, pursuant to which IDT Corporation will continue to provide, among other things, certain administrative and other services. In addition, pursuant to the Master Services Agreement, IDT Corporation will provide certain additional services to the Company, on an interim basis, as a separate publicly-traded company. Such services include assistance with periodic reports required to be filed with the U.S. Securities and Exchange Commission (the “SEC”) as well as maintaining minutes, books and records of meetings of the Board of Directors, Audit Committee and Compensation Committee, as well as assistance with corporate governance. The cost of these additional services are not included in the Company’s historical results of operations, as they were not applicable for periods that the Company was not a separate public company.

##### *Basis of Accounting and Consolidation*

The Company was incorporated in May 2009 in the state of Delaware. The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the entities included in the Company that were spun-off, and are reflected as if the Company existed and owned these entities in all periods presented, or from the date an entity was acquired, if later. All material intercompany balances and transactions have been eliminated in consolidation. The historical cost basis of assets and liabilities has been reflected in these financial statements. Historically, the businesses included in the Company operated independently on a stand-alone basis. Direct expenses incurred by IDT Corporation on behalf of the businesses included in the consolidated financial statement are reflected in these financial statements. The most significant expenses are as follows: Medical and dental benefits were allocated to the Company based on rates similar to COBRA health benefit provision rates charged to former IDT Corporation employees. Stock-based compensation and retirement benefits under the defined contribution plan were allocated to the Company based on specific identification. Insurance was allocated to the Company based on a combination of headcount and specific policy identification. Facility costs as well as payroll of certain IDT Corporation departments consisting of payroll, human resources, network and telephone services, legal, security and travel were allocated to the Company based on estimates of the incremental cost incurred by IDT Corporation related to the Company. Management believes that the assumptions and methods of allocation used underlying the consolidated financial statements are reasonable. However, the costs as allocated to the Company are not necessarily indicative of the costs that would have been incurred if the Company operated as a stand-alone entity. Therefore, the consolidated financial statements may not necessarily be indicative of the financial position, results of operations, changes in stockholders’ equity and cash flows of the Company to be expected in the future or what they would have been had the Company been a separate stand-alone entity during the periods presented.

## CTM MEDIA HOLDINGS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### *Non-controlling Interest*

On August 1, 2009, the Company adopted the accounting standard relating to non-controlling interests in consolidated financial statements. This standard clarifies that a non-controlling interest in a subsidiary, which was previously referred to as a minority interest, is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Also, this standard requires consolidated net income (loss) to include the amounts attributable to both the parent and the non-controlling interest, and it requires disclosure of the amounts of net income (loss) attributable to the parent and to the non-controlling interest. Finally, this standard requires increases and decreases in the non-controlling ownership interest amount to be accounted for as equity transactions, and the gain or loss on the deconsolidation of a subsidiary will be measured using the fair value of any non-controlling equity investment rather than the carrying amount of the retained investment. As required by this standard, the Company retrospectively changed the classification and presentation of non-controlling interests in its financial statements for all prior periods. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows. In January 2010, the Financial Accounting Standards Board ("FASB") amended the accounting standard relating to non-controlling interests in consolidated financial statements (1) to address implementation issues related to the changes in ownership provisions of the standard and (2) to expand the disclosures about the deconsolidation of a subsidiary or de-recognition of a group of assets within the scope of the standard. These amendments were effective for the Company when they were issued by the FASB. The adoption of the amendments to this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### *Revenue Recognition*

Revenues from CTM brochure distribution services are recognized on a straight-line basis over the services arrangement, which is typically between six months and one year. Brochure distribution services include distribution of marketing materials to display stations and straightening and refilling of the stations. In 2009 and the first three quarters of 2010 revenues from CTM printing services were recognized based on delivery of the print job by subcontractors to CTM's warehouse. In the fourth quarter of 2010, we restructured our unprofitable printing business from a reseller of print services to a commission agent for printing vendors. The revenues from CTM printing services are now being recognized based on payment by customer to print vendor. Revenues from CTM publication guides are recognized based on the publication release date of guides, which is the same date as distribution. IDW's primary revenue is recognized, net of an allowance for estimated sales returns, at the time of shipment of its graphic novels and comic books by IDW's distributor to its customers, and when all of the conditions specified by 'ASC 605-15-25' - *Revenue Recognition When Right of Return Exists*, are met. Sales returns allowances represent a reserve for products that may be returned due to dating, competition or other marketing matters, or certain destruction in the field. Sales returns are generally estimated and recorded based on historical sales and returns experience and current trends that are expected to continue. Licensing revenues are recognized upon execution of the agreement for such rights, and other creative revenues are recognized upon completion of services rendered on a contractual basis.

#### *Direct Cost of Revenues*

Direct cost of revenues excludes depreciation and amortization expense. Direct cost of revenues for CTM consists primarily of distribution and fulfillment payroll, warehouse and vehicle distribution expenses, and print and design expenses. Direct cost of revenues for IDW consists primarily of printing expenses and costs of artist and writers.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Inventory*

Inventory consists of IDW's graphic novels and comic books. Inventory is stated at the lower of cost or market determined by the first in, first out method.

*Property and Equipment*

Equipment, vehicles and computer software are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, which range as follows: equipment—5, 7 or 20 years; vehicles—5 years; and computer software—2, 3 or 5 years. Leasehold improvements are recorded at cost and are depreciated on a straight-line basis over the term of the lease or their estimated useful lives, whichever is shorter.

*Long-Lived Assets*

In accordance with 'ASC 360' - *Accounting for the Impairment or Disposal of Long Lived Assets*, the Company tests the recoverability of its long-lived assets with finite useful lives whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company tests for impairment based on the projected undiscounted cash flows to be derived from such asset. If the projected undiscounted future cash flows are less than the carrying value of the asset, the Company will record an impairment loss based on the difference between the estimated fair value and the carrying value of the asset. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows from such asset using an appropriate discount rate. Cash flow projections and fair value estimates require significant estimates and assumptions by management. Should the estimates and assumptions prove to be incorrect, the Company may be required to record impairments in future periods and such impairments could be material.

*Intangibles*

Costs associated with obtaining the right to use licenses owned by third parties are capitalized and amortized on a straight-line basis over the approximately 4-year term of the licenses. Customer lists are amortized on a straight-line basis over the 5-year period of expected cash flows.

*Advertising Expense*

In fiscal 2011 and fiscal 2010, advertising expense was \$467,000 and \$402,000, respectively.

*Repairs and Maintenance*

The Company charges the cost of repairs and maintenance, including the cost of replacing minor items not constituting substantial betterment, to selling, general and administrative expenses as these costs are incurred.

*Foreign Currency Translation*

Assets and liabilities of foreign subsidiaries denominated in foreign currencies are translated to U.S. Dollars at end-of-period rates of exchange, and their monthly results of operations are translated to U.S. Dollars at the average rates of exchange for that month. Gains or losses resulting from such foreign currency translations are recorded in "Accumulated other comprehensive income" in the accompanying consolidated balance sheets.

*Income Taxes*

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the period in which related temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in its assessment of a valuation allowance. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

The Company uses a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return. The Company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. Tax positions that meet the more-likely-than-not recognition threshold are measured to determine the amount of tax benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability.



**CTM MEDIA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Commitments and Contingencies*

The Company accrues for loss contingencies when both (a) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements and (b) the amount of loss can reasonably be estimated. When the Company accrues for loss contingencies and the reasonable estimate of the loss is within a range, the Company records its best estimate within the range. When no amount within the range is a better estimate than any other amount, the Company accrues the minimum amount in the range. The Company discloses an estimated possible loss or a range of loss when it is at least reasonably possible that a loss may have been incurred.

*Earnings per Share*

Basic earnings per share is computed by dividing net income attributable to all classes of common stockholders by the weighted average number of shares of all classes of common stock outstanding during the applicable period. The number of shares outstanding have been increased to include unvested restricted Class B stock issued to our Chairman of the Board and Founder, Howard Jonas and others. Diluted earnings per share is computed in the same manner as basic earnings per share except that the number of shares is increased to include any potentially dilutive shares. During the year, there have been no shares that were potentially dilutive. As a result basic earnings per share and diluted earnings per share remained the same.

The weighted-average number of shares used in the calculation of basic and diluted earnings per share attributable to the Company's common stockholders consists of the following:

Fiscal Year ended July 31 (in thousands)	2011	2010
Basic weighted-average number of shares	8,323	6,188
Effect of dilutive securities:		
Non-vested restricted common stock	-	1,651
Diluted weighted-average number of shares	8,323	7,839

*Stock-Based Compensation*

The Company accounted for stock-based compensation granted to its employees by IDT Corporation in accordance with the fair value recognition provisions of 'ASC' 718 *Share-Based Payment*. Under 'ASC' 718, compensation cost recognized based on the grant-date fair value. Stock-based compensation is included in selling, general and administrative expense. During the fiscal year ended July 31, 2011, the Company began recognizing the compensation on a straight-line basis in accordance with ASU 718-10-35-8.

*Vulnerability Due to Certain Concentrations*

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash, cash equivalents, short term investment and trade accounts receivable. The Company holds cash and cash equivalents at several major financial institutions, which often exceed FDIC insurance limits. Historically, the Company has not experienced any losses due to such concentration of credit risk. The Company's temporary cash investments policy is to limit the dollar amount of investments with any one financial institution and monitor the credit ratings of those institutions. While the Company may be exposed to credit losses due to the nonperformance of its counterparties, the Company does not expect the settlement of these transactions to have a material effect on its results of operations, cash flows or financial condition.

IDW has one major customer, Diamond Comic Distributors, Inc., which is the major distributor of comic books in the United States. Revenues from this customer represented approximately 47.3% and 31.1% of the total consolidated revenues for the years ended July 31, 2011 and 2010, respectively. No other single customer accounted for more than 10% of consolidated revenues in fiscal 2011 or fiscal 2010. The receivable balances from this customer represented approximately 30.5% and 17.4% of the total consolidated trade accounts receivable at July 31, 2011 and 2010, respectively. This concentration of customers increases the Company's risk associated with nonpayment by those customers. For CTM, concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers in various geographic regions comprising CTM's customer base.

*Sales Returns and Allowances*

IDW offers its sole distributor, Diamond Comic Distributors, a right of return with no expiration date. Diamond Comic Distributors then offers this same right of return to its largest chain retailers. IDW records an estimate for sales return reserves from such retailers based on historical sales and return experience and current trends that are expected to continue. In fiscal 2011, estimated returns exceeded actual returns by approximately \$108,000.

**CTM MEDIA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The change in the allowance for sales returns is as follows:

Fiscal Year ended July 31 (in thousands)	Balance at beginning of year	Additions charged to revenues	Actual returns	Balance at end of year
<b>2011</b>				
Reserves deducted from accounts receivable:				
Allowance for sales returns	\$ 165	\$ 3,565	\$ (3,480)	\$ 250
<b>2010</b>				
Reserves deducted from accounts receivable:				
Allowance for sales returns	\$ 374	\$ 3,305	\$ (3,514)	\$ 165

*Allowance for Doubtful Accounts*

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The allowance is determined based on known troubled accounts, historical experience and other currently available evidence.

The change in the allowance for doubtful accounts is as follows:

Fiscal Year ended July 31 (in thousands)	Balance at beginning of year	Additions charged to costs and expenses(1)	Deductions(2)	Balance at end of year
<b>2011</b>				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	\$ 778	\$ 84	\$ (158)	\$ 704
<b>2010</b>				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	\$ 673	\$ 277	\$ (172)	\$ 778

(1) Includes expense of discontinued operations of \$356 and in Fiscal 2010.

(2) Uncollectible accounts written off, net of recoveries.

*Fair Value of Financial Instruments*

The estimated fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. However, considerable judgment is required in interpreting this data to develop estimates of fair value. Consequently, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. At July 31, 2011 and 2010, the carrying value of the Company's trade accounts receivable, inventory, prepaid expenses, trade accounts payable, accrued expenses, deferred revenue, due to IDT Corporation, capital lease obligations-current portion, and other current liabilities approximate fair value because of the short period of time to maturity. At July 31, 2011 and 2010, the carrying value of the long term portion of the Company's capital lease obligations approximate fair value as their contractual interest rates approximate market yields for similar debt instruments.

*Recently Adopted Accounting Standards and Recently Issued Accounting Standards*

On February 1, 2010, the Company adopted the amendment to the accounting standard relating to fair value measurements, which is intended to improve the disclosures about fair value measurements in financial statements. The main provisions of the amendment require new disclosures about (1) transfers in and out of the three levels of the fair value hierarchy and (2) activity within Level 3 of the hierarchy. In addition, the amendment clarifies existing disclosures about (1) the level of disaggregation of fair value measurements, (2) valuation techniques and inputs used to measure fair value, and (3) postretirement benefit plan assets. The adoption of the changes to the disclosures about fair value measurements did not have an impact on the Company's financial position, results of operations or cash flows. Pursuant to the amendment, the adoption of certain of the disclosures about the activity within Level 3 is not required until August 1, 2011. The Company does not expect the adoption of these changes to its disclosures about fair value measurements to have an impact on its financial position, results of operations or cash flows.

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). The amendments in this ASU generally represent clarification of Topic 820, but also include instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards ("IFRS"). The amendments are effective for interim and annual periods beginning after December 15, 2011 and are to be applied prospectively. Early application is not permitted. We do not expect the adoption of ASU 2011-04 will have a material impact on our Financial Statements.

**CTM MEDIA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In June 2011, the FASB issued guidance on presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements. The new guidance will be effective for us beginning July 1, 2012 and will have presentation changes only.

**Note 2—Discontinued Operations**

*Sale of Assets of WMET Radio*

On May 5, 2010, we consummated the sale of substantially all of the assets used in our WMET radio station business (other than working capital). WMET 1160 AM is a radio station serving the Washington, D.C. metropolitan area. The sale price for the WMET assets was \$4,000,000 in a combination of cash and a promissory note of the buyer that is secured by the assets sold. \$1,300,000 of the purchase price was paid in cash by the closing and the remainder is owed pursuant to a two-year promissory note, which is extendable in part to three years at the option of the buyer. The sale met the criteria to be reported as a discontinued operation and accordingly, WMET's results are classified as part of discontinued operations for all periods presented. In the fourth quarter of fiscal 2010, the company recognized a gain of \$1,600,000 in connection with the sale.

*Summary Financial Data of Discontinued Operations*

Revenues, loss before income taxes and net loss of WMET, which are included in discontinued operations, were as follows:

Year Ended July 31,	2011	2010
	(in thousands)	
Revenue	\$ —	\$ 411
Loss before income taxes and net loss .	-	(623)
	<u>          </u>	<u>          </u>

There are no assets of WMET as of July 31, 2011.

**Note 3—Stock Repurchase and Cash Dividend**

On November 17, 2009, the Company commenced a tender offer to purchase up to thirty percent of its outstanding common stock. The Company offered to purchase up to 400,000 shares of its Class A common stock and up to 2,400,000 shares of its Class B common stock, at a price per share of \$1.10. The offer expired on December 22, 2009 and pursuant to the offer, the Company repurchased 200,000 shares of Class A common stock and 800,000 shares of Class B common stock for an aggregate purchase price of \$1,100,000, representing approximately 14% of its total outstanding capital stock at the time.

The Company paid a cash dividend in the amount of \$0.25 per share (approximately \$2,100,000 in the aggregate), \$0.06 per share (approximately \$500,000 in the aggregate), and \$0.12 per share (approximately \$1,000,000 in the aggregate), on March 15, 2010, June 15, 2010 and November 9, 2010, respectively, to stockholders of record as of March 8, 2010, May 3, 2010 and November 1, 2010, respectively, of the Company's Class A, Class B and Class C common stock.

On October 19, 2010, the Company's Board of Directors approved the payment of regular quarterly dividends in the amount of \$0.06 per share, subject to confirmation by the Company's management that there is sufficient surplus as of the proposed future payment dates and other circumstances existing at the relevant times.

On February 22, 2011, the Board of Directors, in light of the Company's cash position, declared the payment of a cash dividend in the amount of \$0.06 per share (approximately \$500,000 in the aggregate). The Company's management confirmed there being sufficient surplus and on March 17, 2011, the dividend was paid to stockholders of record as of March 8, 2011 of the Company's Class A, Class B and Class C common stock.

**CTM MEDIA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

On June 13, 2011, the Board of Directors, in light of the Company's cash position, declared the payment of a cash dividend in the amount of \$0.06 per share (approximately \$500,000 in the aggregate) which, subject to confirmation by the Company's management that there is sufficient surplus as of the proposed payment date. The amount was paid on July 5, 2011 to stockholders of record as of June 28, 2011 of the Company's Class A common stock, Class B common stock and Class C common stock.

In addition, on February 22, 2011 the Board of Directors approved the buyback of up to 1,000,000 shares of either the Company's Class A common stock or Class B common stock. Any purchases will be made in compliance with applicable regulations. To date, no shares have been purchased since the buyback was approved.

**Note 4—Trade Accounts Receivable**

Trade accounts receivable consists of the following:

July 31 (in thousands)	2011	2010
Trade accounts receivable	\$ 4,336	\$ 4,439
Less allowance for sales returns	(249)	(165)
Less allowance for doubtful accounts	(704)	(778)
<b>Trade accounts receivable, net</b>	<b>\$ 3,383</b>	<b>\$ 3,496</b>

**Note 5—Accrued Expenses**

Accrued expenses consists of the following:

July 31 (in thousands)	2011	2010
Royalty	\$ 337	\$ 505
Payroll	403	435
Bonus	430	216
Other	631	383
<b>Total</b>	<b>\$ 1,801</b>	<b>\$ 1,539</b>

**Note 6—Property and Equipment**

Property and equipment consists of the following:

July 31 (in thousands)	2011	2010
Equipment	\$ 6,446	\$ 6,094
Vehicles	2,320	2,043
Leasehold improvements	292	279
Computer software	959	848
	<b>10,017</b>	<b>9,264</b>
Less accumulated depreciation and amortization	(7,996)	(7,251)
<b>Property and equipment, net</b>	<b>\$ 2,021</b>	<b>\$ 2,013</b>

During the year, the Company performed an assessment of the value of its assets and concluded that no impairment of property and equipment existed.

Property and equipment under capital leases were \$1,400,000 and \$1,100,000 at July 31, 2011 and 2010, respectively. The accumulated depreciation related to these assets under capital leases was \$840,000 and \$600,000 at July 31, 2011 and 2010, respectively. Depreciation of fixed assets under capital leases is included in depreciation and amortization expense in the accompanying consolidated statements of operations. Depreciation and amortization expense of property and equipment was \$753,000 and \$859,000 in fiscal 2011 and 2010, respectively.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Note 7—Licenses and Other Intangibles**

The table below presents information on the Company's licenses and other intangible assets:

(in thousands)	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Balance
As of July 31, 2011:				
<b>Amortized intangible assets:</b>				
Customer lists	5 years	\$ 25	\$ (25)	\$ —
Licenses and other intangible assets	2.5 years	46	(10)	36
<b>Total licenses and other intangibles</b>		<b>\$ 71</b>	<b>\$ (35)</b>	<b>\$ 36</b>
As of July 31, 2010:				
<b>Amortized intangible assets:</b>				
Customer lists	5 years	\$ 25	\$ (21)	\$ 4
Licenses and other intangible assets	2.5 years	1,138	(1,125)	13
<b>Total licenses and other intangibles</b>		<b>\$ 1,163</b>	<b>\$ (1,146)</b>	<b>\$ 17</b>

Amortization expense of licenses and other intangible assets was \$26,000 and \$36,000 in fiscal 2011 and 2010, respectively.

**Note 8—Income Taxes**

Significant components of the Company's deferred tax assets and deferred tax liabilities consist of the following:

Fiscal Year Ended July 31 (in thousands)	2011	2010
<b>Deferred tax assets:</b>		
Bad debt reserve	\$ 42	\$ 64
Accrued expenses	86	93
Exercise of stock options and lapsing of restrictions on restricted stock	(165)	(275)
Impairment	12,609	12,609
Net operating loss	2,401	4,243
Total deferred tax assets	14,973	16,734
Valuation allowance	(12,711)	(16,734)
<b>NET DEFERRED TAX ASSETS</b>	<b>2,262</b>	<b>\$ —</b>

The provision for income taxes consists of the following:

Fiscal Year ended July 31 (in thousands)	2011	2010
<b>Current:</b>		
Federal	\$ 35	\$ —
State and local	(260)	56
Foreign	30	35
	<b>\$ (195)</b>	<b>\$ 91</b>
<b>Deferred:</b>		
Federal	\$ (1,815)	\$ -
State and local	(435)	-
	<b>\$ (2,250)</b>	<b>\$ -</b>
<b>Provision for (benefit from) income taxes</b>	<b>\$ (2,445)</b>	<b>\$ 91</b>

**CTM MEDIA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The differences between income taxes expected at the U.S. federal statutory income tax rate and income taxes provided are as follows:

Fiscal Year ended July 31 (in thousands)	2011	2010
U.S. federal income tax at statutory rate	\$ 587	\$ (495)
Change in valuation allowance	( 2,842)	495
Foreign tax rate differential	35	35
State and local income tax, net of federal benefit	(260)	56
Other	35	—
<b>PROVISION FOR INCOME TAXES</b>	<b>\$ (2,445)</b>	<b>\$ 91</b>

At July 31, 2011, the Company had federal and state net operating loss carry-forwards of approximately \$8,800,000. This carry-forward loss is available to offset future U.S. federal and state taxable income. The net operating loss carry-forwards will start to expire in fiscal 2026. The Company has no foreign net operating losses. The utilization of the net operating loss carry-forwards may be subject to certain limitations as a result of the Spin-Off. The Company determined that it was more likely than not that a portion of its deferred income tax assets will be realized based on its income from continuing operations in the United States in fiscal 2011 and fiscal 2010 combined with projections of taxable income for the foreseeable future. Therefore, the Company reversed \$2,250,000 of its valuation allowance in fiscal 2011.

The Company has not recorded U.S. income tax expense for foreign earnings as such earnings are permanently reinvested outside the U.S. The cumulative undistributed foreign earnings are included in accumulated deficit in the Company's consolidated balance sheets, and consisted of approximately \$1,400,000 at July 31, 2011. Upon distribution of these foreign earnings, the Company may be subject to U.S. income taxes and foreign withholding taxes, however, it is not practicable to determine the amount, if any, which would be paid.

The table below summarizes the change in the balance of unrecognized income tax benefits:

Year ended July 31 (in thousands)	2011	2010
Balance at the beginning of the year (excludes interest)	\$ 625	\$ 579
Additions based on tax positions related to the current year	--	—
Additions for tax positions of prior years	45	46
Reductions for tax positions of prior years	-	—
Settlements	-	—
Lapses of statutes of limitations	(330)	—
Balance at the end of the year	<b>\$ 340</b>	<b>\$ 625</b>

The Company classifies interest and penalties on income taxes as a component of income tax expense. As of August 1, 2007, accrued interest expense relating to the unrecognized tax benefits was \$15,000. In fiscal 2011 and fiscal 2010, the Company recorded additional interest expense of \$45,000 and \$46,000, respectively. As of July 31, 2011 and 2010, accrued interest expense included in current income taxes payable was \$109,000 and \$110,000, respectively.

The Company currently remains subject to examinations of its tax returns as follows: U.S. federal tax returns for fiscal 2009 and 2010, state and local tax returns generally for fiscal 2008 to fiscal 2010 and foreign tax returns generally for fiscal 2008 to fiscal 2010. The IRS audited IDT Corporation's federal tax returns (of which the Company was a part of the consolidated group), for fiscal years 2005, 2006 and 2007. No changes to the Company resulted from this audit.

The Company and IDT Corporation entered into a Tax Separation Agreement, dated as of September 14, 2009, to provide for certain tax matters including the assignment of responsibility for the preparation and filing of tax returns, the payment of and indemnification for taxes, entitlement to tax refunds and the prosecution and defense of any tax controversies. Pursuant to this agreement, IDT Corporation indemnified the Company from all liability for taxes of the Company and its subsidiaries for periods ending on or before September 14, 2009, and the Company indemnified IDT Corporation from all liability for taxes of the Company and its subsidiaries accruing after September 14, 2009. Also, for periods ending on or before September 14, 2009, IDT Corporation shall have the right to control the conduct of any audit, examination or other proceeding brought by a taxing authority. The Company shall have the right to participate jointly in any proceeding that may affect its tax liability unless IDT Corporation has indemnified the Company. Finally, the Company and its subsidiaries agreed not to carry back any net operating losses, capital losses or credits for any taxable period ending after September 14, 2009 to a taxable period ending on or before September 14, 2009 unless required by applicable law, in which case any refund of taxes attributable to such carry back shall be for the account of IDT Corporation.

## CTM MEDIA HOLDINGS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Note 9—Stock Based Compensation

##### *IDT Corporation Share-Based Compensation Plan*

The IDT Corporation 2005 Stock Option and Incentive Plan (the “Stock Option and Incentive Plan”) is intended to provide incentives to executives, employees, directors and consultants of IDT Corporation and its subsidiaries. Incentives available under the Stock Option and Incentive Plan may include stock options, stock appreciation rights, limited rights, deferred stock units, and restricted stock. Stock options and restricted stock were granted to employees of the businesses included in these consolidated financial statements under the Stock Option and Incentive Plan.

Compensation cost is generally recognized using the accelerated method over the vesting period. The compensation cost included in selling, general and administrative expense for the Company’s share-based compensation was \$275,000 and \$357,000 for fiscal 2011 and 2010, respectively. During the fiscal year ended July 31, 2011, the Company began recognizing the compensation on a straight-line basis in accordance with ASU 718-10-35-8. No income tax benefits were recognized in the consolidated statements of operations for share-based compensation during fiscal 2011 or fiscal 2010. The Company does not currently recognize the tax benefits resulting from tax deductions in excess of the compensation cost recognized from its share-based compensation because the Company does not currently expect to realize the tax benefit due to the uncertainty of future taxable income.

##### *Stock Options*

IDT Corporation option awards were granted with an exercise price equal to the market price of IDT Corporation’s stock at the date of grant. Option awards vest on a graded basis over three years of service and have ten-year contractual terms. No stock options were granted to employees of the businesses included in these consolidated financial statements in fiscal 2011 or fiscal 2010, however, options granted by IDT Corporation in fiscal 2007 vested in fiscal 2010 and fiscal 2011.

##### *Restricted Stock*

The fair value of non-vested shares of IDT Corporation’s Class B common stock and the Company’s Class B common stock are determined based on the closing price of IDT Corporation’s Class B common stock on the grant date. Share awards vest on a graded basis over three years of service and have ten-year contractual terms.

As part of the Spin-Off, holders of restricted stock of IDT Corporation received, in respect of those restricted shares, one share of the Company’s Class A common stock for every three restricted shares of common stock of IDT Corporation that they owned as of the record date of the Spin-Off and one share of the Company’s Class B common stock for every three restricted shares of Class B common stock of IDT Corporation that they owned as of the record date of the Spin-Off. Those particular shares of the Company’s stock are restricted under the same terms as the IDT Corporation restricted shares in respect of which they were issued. The restricted shares of the Company’s stock received in the Spin-Off are subject to forfeiture on the same terms and restrictions as the corresponding IDT Corporation shares. Upon completion of the Spin-Off on September 14, 2009, there were 300,000 shares of Class A restricted stock with respect to which the restrictions and risk of forfeiture had not lapsed (non-vested) and 500,000 shares of Class B nonvested restricted stock.

On October 14, 2009, the Company’s Board of Directors granted its Chairman and founder, Howard S. Jonas, 1,800,000 restricted shares of the Company’s Class B common stock with a value of \$1,250,000 on the date of grant in lieu of a cash base salary for the next five years. The restricted shares will vest in equal thirds on each of October 14, 2011, October 14, 2012 and October 14, 2013. Unvested shares would be forfeited if the Company terminates Mr. Jonas’ employment other than under circumstances where the accelerated vesting applies. The shares are subject to adjustments or acceleration based on certain corporate transactions, changes in capitalization, or termination, death or disability of Mr. Jonas. If Mr. Jonas is terminated by the Company for cause, a pro rata portion of the shares would vest. This arrangement did not impact Mr. Jonas’ cash compensation from the date of the Spin-Off through the pay period ending on the grant date. Total unrecognized compensation cost on the grant date was \$1,250,000. The unrecognized compensation cost is expected to be recognized over the vesting period from October 14, 2009 through October 14, 2014. Unrecognized compensation cost as of July 31, 2011 and 2010 was \$618,000 and \$893,000, respectively.

**CTM MEDIA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

A summary of the status of the Company's nonvested restricted shares as of July 31, 2011 and changes in fiscal 2011 is presented below:

(in thousands)	<b>Number of Nonvested Shares</b>
Nonvested shares at July 31, 2010	<b>2,480</b>
Granted	—
Vested	—
Forfeited	—
<b>Nonvested shares at July 31, 2011</b>	<b>2,480</b>

*The Company Share-Based Compensation Plan*

On September 3, 2009, the Company's Compensation Committee ratified the Company's 2009 Stock Option and Incentive Plan (the "Company Stock Option and Incentive Plan"), which was previously adopted by the Company's Board of Directors and approved by IDT Corporation as its sole stockholder, to provide incentives to executive officers, employees, directors and consultants of the Company and/or its subsidiaries. The maximum number of shares of the Company's Class B common stock reserved for the grant of awards under the Company Stock Option and Incentive Plan shall be 383,020, subject to adjustment. Incentives available under the Company Stock Option and Incentive Plan may include stock options, stock appreciation rights, limited stock appreciation rights, restricted stock, and deferred stock units.

Under the Company Stock Option and Incentive Plan, the option price of each option award shall not be less than one hundred percent of the fair market value of the Company's Class B common stock on the date of grant. Each option agreement shall provide the exercise schedule for the option as determined by the Compensation Committee. The exercise period will be ten years from the date of the grant of the option unless otherwise determined by the Compensation Committee. No awards have been granted under the Company Stock Option and Incentive Plan to date.

**Note 10—Commitments and Contingencies**

*Legal Proceedings*

None.

*Lease Commitments*

The future minimum payments for capital and operating leases as of July 31, 2011 are as follows:

(in thousands)	<b>Operating Leases</b>	<b>Capital Leases</b>
Year ending July 31:		
2012	\$ 971	\$ 244
2013	701	164
2014	653	102
2015	611	72
2016	412	25
Thereafter	—	—
Total payments	\$ 3,348	607
Less amount representing interest		(22)
Less current portion Principal		(231)
Capital lease obligations—long-term portion Principal		\$ 354

Rental expense under operating leases was \$1,100,000 in fiscal 2011 and \$1,000,000 in fiscal 2010.



**CTM MEDIA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 11—Related Party Transactions**

In fiscal 2011 and 2010, IDT Corporation, the Company’s former parent company, charged the Company for certain transactions and allocated routine expenses based on company specific items. In addition, in fiscal 2010, IDT Corporation controlled the flow of the Company’s treasury transactions. Expenses allocated to the Company amounted to \$1,100,000 in fiscal 2010. In September 2009, IDT Corporation funded the Company with an additional \$2,000,000 in cash in advance of the Spin-Off. Also in September 2009, the aggregate \$25,300,000 balance of the amount in “Due to IDT Corporation” was converted into a capital contribution. The Company’s liability to IDT Corporation fluctuated primarily due to operating expenses paid by IDT Corporation on behalf of the Company and the transfers of funds. The Company’s liability to IDT Corporation was as follows:

(in thousands)	<b>Fiscal Years ended July 31,</b>	
	2011	2010
Opening Balance	\$ 38	\$ 24,921
Payments and credits	(143)	—
Billings and Expenses paid by IDT Corporation on behalf of the Company	136	1,183
Transfer of funds to IDT Corporation, net	—	(773)
Conversion of amount due IDT at Spin-Off	—	(27,293)
Contribution from IDT	—	2,000
Ending Balance	31	38

CTM distributes brochures for ETR Brochures, Inc., a brochure distribution firm controlled by Howard S. Jonas. ETR Brochures, Inc. also distributes brochures for CTM. In fiscal 2011, CTM billed ETR Brochures, Inc. approximately \$10,000 for distribution services and ETR Brochures, Inc. billed CTM approximately \$99,000 for distribution services. In fiscal 2010, CTM billed ETR Brochures, Inc. approximately \$13,000 for distribution services and ETR Brochures, Inc. billed CTM approximately \$106,000 for distribution services. The balance owed to ETR Brochures, Inc. by CTM was approximately \$8,000 and \$12,000 as of July 31, 2011 and 2010. The balance owed by ETR Brochures, Inc. to CTM was approximately \$1,000 as of July 31, 2011 and 2010, respectively. These transactions were approved in accordance with Related Person Transaction policy described in its 2010 Proxy Statement. The Company intends for the relationship between CTM and ETR Brochures, Inc. to continue in the future.

**Note 12—Defined Contribution Plans**

In September 2009, CTM Media Holdings, Inc. adopted a 401(k) Plan that was available to all its employees meeting certain eligibility criteria. The 401(k) Plan permits participants to contribute a portion of their salary with no minimum deferred required, not to exceed the limits established by the Internal Revenue Code. The Plan provided for discretionary matching contributions as determined in the Company’s sole discretion, which vests over six years. All contributions made by participants vest immediately into the participant’s account.

In January 2011 CTM adopted a 401(k) matching plan, to be payable at the end of the calendar year 2011. The terms of this matching plan are for CTM to add \$0.25 to employees’ 401(k) accounts for every dollar they contribute, based on a maximum employee deferral rate of 6% of calendar year total compensation, as reported on year end W-2’s.

Funds will be added to accounts of employees that are actively employed as of December 31 of a given calendar year. Although CTM is fully committed to this plan, the company’s match and the terms of the match are subject to cancellation and/or change, at any time, without notice.

In fiscal 2011 and fiscal 2010, the Company expensed \$91,000 and \$0, respectively.

**Note 13—Business Segment Information**

The Company has the following two reportable business segments: CTM and IDW. CTM consists of the Company’s brochure distribution company and other advertising-based new product initiatives focused on small to medium sized businesses. IDW is a comic book and graphic novel publisher that creates and licenses intellectual property.

The Company’s reportable segments are distinguished by types of service, customers and methods used to provide their services. The operating results of these business segments are regularly reviewed by the Company’s chief operating decision maker.

**CTM MEDIA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates the performance of its business segments based primarily on operating income (loss). There are no significant asymmetrical allocations to segments. Operating results for the business segments of the Company are as follows:

(in thousands)	<u>CTM</u>	<u>IDW</u>	<u>Total</u>
<b>Fiscal Year ended July 31, 2011</b>			
Revenues	\$ 18,448	\$ 13,871	\$ 32,319
Operating income	615	1,251	1,866
Depreciation and amortization	721	32	753
Total assets at July 31, 2011	\$ 18,593	\$ 2,407	\$ 21,000
<b>Fiscal Year ended July 31, 2010</b>			
Revenues	\$ 18,562	\$ 11,464	\$ 30,026
Operating income(loss)	1,126	(388)	738
Depreciation and amortization	779	80	859
Total assets at July 31, 2010	\$ 12,333	\$ 6,068	\$ 18,401

Revenues from customers located outside of the United States represented approximately 8.6% and 9.0% of total consolidated revenues from continuing operations in fiscal 2011 and fiscal 2010, respectively. Revenues by country are determined based on the country where the customer is invoiced. Net long-lived assets and net total assets held outside of the United States, primarily in Canada, totaled approximately 300,000 and \$3,900,000, respectively, as of July 31, 2011 and \$300,000 and \$3,600,000, respectively, as of July 31, 2010.

**Note 14—Selected Quarterly Financial Data (Unaudited)**

The table below presents selected quarterly financial data of the Company for its fiscal quarters for fiscal 2011 and fiscal 2010:

Fiscal Quarter Ended (in thousands)	<u>Revenues</u>	<u>Direct cost of revenues</u>	<u>Income(loss) from operations</u>	<u>Income(loss) from continuing operations</u>	<u>Net Income(loss)</u>
<b>2011:</b>					
October 31	\$ 8,649	\$ 3,761	\$ 857	\$ 797	\$ 710
January 31	7,677	3,712	(32)	(28)	(144)
April 30	6,791	3,466	(490)	(124)	(164)
July 31	9,202	3,864	1,531	3,781	3,719
<b>TOTAL</b>	<b>\$ 32,319</b>	<b>\$ 14,803</b>	<b>\$ 1,866</b>	<b>\$ 4,426</b>	<b>\$ 4,121</b>
<b>2010:</b>					
October 31	\$ 8,233	\$ 3,749	\$ 1,070	\$ 807	\$ 518
January 31	6,365	3,233	(681)	(603)	(719)
April 30	6,832	3,605	(656)	(779)	(1,059)
July 31	8,596	3,561	1,006	984	2,508
<b>TOTAL</b>	<b>\$ 30,026</b>	<b>\$ 14,148</b>	<b>\$ 739</b>	<b>\$ 409</b>	<b>\$ 1,248</b>

**Note 15—Subsequent events**

On October 18, 2011 the Company announced its intent to suspend its registration under the Securities Exchange of 1934, as amended (the “Exchange Act”), thus suspending its filing of periodic reports with the Securities and Exchange Commission (the “SEC”). The Company will continue to make information public by making filings publicly available through the OTC Disclosure & News Service pursuant to OTC Markets Group Guidelines for Providing Adequate Current Information.

On October 18, 2011 the Company’s Board of Directors also approved a one-for-twenty reverse split of the Registrant’s Class A common stock, Class B common stock and Class C common stock (the “Reverse Split”). Stockholders who otherwise would hold fractional shares because the number of shares of capital stock they held before the Reverse Split would not be evenly divisible based upon the one-for-twenty split ratio will be entitled to cash payments (without interest or deduction) in respect of such fractional shares. Holders of significant shares of the company have indicated their intentions to vote for the reverse stock split. The Company intends for the Reverse stock Split to be effective at the end of November 2011.

On October 12, 2011, the Company paid out cash dividends in the amount of \$0.06 per share (approximately \$500,000 in the aggregate) on October 6, 2011 to our Class A stockholders, Class B stockholders and Class C common stockholders of record as of September 26, 2011.



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use, in this Annual Report on Form 10-K for the year ended July 31, 2011 of CTM Media Holdings, Inc. and subsidiaries (the "Company"), of our report dated October 27, 2011 on our audits of the consolidated balance sheets of the Company as of July 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each year in the two-year period ended July 31, 2011, included in this Annual Report on Form 10-K.

/s/ Zwick & Banyai, PLLC

**Zwick & Banyai, PLLC** Southfield, Michigan

December 5, 2011

**Certification of Chief Executive Officer  
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Marc E. Knoller, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of CTM Media Holdings, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 5, 2011

/s/ Marc E. Knoller  
**Marc E. Knoller**  
**Chief Executive Officer**

**Certification of Chief Financial Officer  
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Leslie B. Rozner, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of CTM Media Holdings, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 5, 2011

/s/ Leslie B. Rozner  
**Leslie B. Rozner**  
**Chief Financial Officer**

**CTM MEDIA HOLDINGS, INC.**  
**Certification Pursuant to**  
**18 U.S.C. Section 1350**  
**(as Adopted Pursuant to Section 906**  
**of the Sarbanes-Oxley Act Of 2002)**

In connection with the Annual Report of CTM Media Holdings, Inc. (the "Company") on Form 10-K for fiscal 2011 as filed with the Securities and Exchange Commission (the "Report"), I, Marc E. Knoller, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2011

/s/ Marc E. Knoller  
**Marc E. Knoller**  
**Chief Executive Officer**

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to CTM Media Holdings, Inc. and will be retained by CTM Media Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CTM MEDIA HOLDINGS, INC.**  
**Certification Pursuant to**  
**18 U.S.C. Section 1350**  
**(as Adopted Pursuant to Section 906**  
**of the Sarbanes-Oxley Act Of 2002)**

In connection with the Annual Report of CTM Media Holdings, Inc. (the "Company") on Form 10-K for fiscal 2011 as filed with the Securities and Exchange Commission (the "Report"), I, Leslie B. Rozner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2011

/s/ Leslie B. Rozner  
Leslie B. Rozner  
**Chief Executive Officer**

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to CTM Media Holdings, Inc. and will be retained by CTM Media Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.