

Item 5 Financial Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with the accompanying condensed consolidated financial statements and the associated notes thereto of this Quarterly Report, the audited consolidated financial statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report.

As used below, unless the context otherwise requires, the terms "the Company," "we," "us," and "our" refer to CTM Media Holdings, Inc., a Delaware corporation, and our subsidiaries.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements. Statements that are not historical facts are forward-looking statements. Examples of forward-looking statements include:

- statements about the Company and its divisions' future performance;
- projections of the Company and its divisions' results of operations or financial condition; and
- statements regarding the Company plans, objectives or goals, including those relating to its strategies, initiatives, competition, acquisitions, dispositions and/or its products.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "likely," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the Company's current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the Company's control. Such known and unknown risks, uncertainties and other factors may cause the Company's actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements.

These factors include those discussed under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's annual financial statements.

The Company cautions that such factors are not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

Forward-looking statements speak only as of the date they are made and are statements of the Company's current expectations concerning future results, events and conditions and the Company is under no obligation to update any of the forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

We are a former subsidiary of IDT Corporation. As a result of the Spin-Off, on September 14, 2009, we became an independent public company.

On October 18, 2011 the Company's Board of Directors 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 held 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 were paid cash payments (without interest or deduction) in lieu of such fractional shares. The Reverse Split was effective December 9, 2011.

On May 5, 2010, the Company sold substantially all of the assets used in the 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 at the closing and the remainder was owed pursuant to a two-year promissory note, extendable in part to three years at the option of the buyer. The extension provision was elected by the borrower effective March 5, 2012. On May 5, 2012, the Company amended and restated the secured promissory note resulting in the extension of the maturity date to May 5, 2016, extension of payment dates and revision of payment amounts.

On November 17, 2009, the Company commenced a tender offer to purchase up to thirty percent of its outstanding common stock. The Company concluded the tender offer and repurchased 178,517 shares (approximately 8,925 shares after giving effect to the Reverse Split) of Class A common stock and 794,128 shares (approximately 39,706 shares after giving effect to the Reverse Split) of Class B common stock for an aggregate purchase price of \$1,069,910, representing approximately 14% of its total outstanding capital stock at the time.

Our principal businesses consist of:

CTM Media Group (“CTM”), our brochure and digital distribution company and other advertising-based product initiatives focused on small to medium sized businesses; and

Our majority interest in Idea and Design Works, LLC (“IDW”), which is a comic book and graphic novel publisher that creates and licenses intellectual property.

CTM

CTM develops and distributes print and digital-based advertising and information in targeted tourist markets. Throughout its operating region, CTM operates four integrated and complimentary business lines: Brochure Distribution, Publishing, RightCard™, and Digital Distribution. CTM offers its customers a comprehensive media marketing approach through these business lines. In fiscal 2013, CTM serviced over 2,580 clients and maintained more than 11,200 display stations in over 28 states and provinces in the United States and Canada. CTM had Puerto Rico operations that had not been profitable for its last four years, and CTM’s management determined that a return to profitability was not likely. Consequently, Puerto Rico operations were discontinued on May 31, 2013. The effect on CTM was not material. CTM’s display stations are located in travel, tourism and entertainment venues, including hotels and other lodgings, corporate and community venues, transportation terminals and hubs, tourist attractions and entertainment venues. CTM’s revenues represented 39.0% and 43.1% of our consolidated revenues in the three months ended January 31, 2014 and 2013, respectively.

IDW

IDW is a comic book and graphic novel publisher that creates and licenses intellectual property. IDW’s revenues represented 61.0% and 56.9% of our consolidated revenues in the three months ended January 31, 2014 and 2013, respectively.

REPORTABLE SEGMENTS

We have the following two reportable business segments: CTM and IDW.

PRESENTATION OF FINANCIAL INFORMATION

Basis of presentation

The consolidated financial statements for the periods reflect our financial position, results of operations, and cash flows. The financial statements have been prepared using the historical basis for the assets and liabilities and results of operations.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States. Our significant accounting policies are described in Note 1 to the consolidated financial statements included in our Annual Report for fiscal 2013. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. Critical accounting policies are those that require application of management’s most subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. Our critical accounting policies include those related to the allowance for doubtful accounts and intangible assets with indefinite useful lives and valuation of long-lived assets including intangible assets with finite useful lives. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

On October 31, 2013, the Company's Board of Directors granted Howard S. Jonas, the Company’s founder and Chairman, 38,796 restricted shares of the Company’s Class B common stock with a value of \$2,327,760 on the date of grant in lieu of a bonus for fiscal 2013 and a cash base salary for the period October 14, 2014 through December 31, 2019. Total unrecognized compensation cost on the date of grant was \$2,277,760. The unrecognized compensation is recognized over the vesting period. The restricted shares vest as follows:

<u>Date</u>	<u>Number of shares</u>
10/31/13	833
9/30/15	5,834
9/30/16	6,417
9/30/17	7,058
9/30/18	7,764
9/30/19	8,541
12/31/19	2,349

On October 14, 2009, our Board of Directors granted Mr. Jonas, 1,785,714 restricted shares (approximately 89,285 restricted shares after giving effect to the Reverse Split) of our 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 following five years. The restricted shares vested in equal thirds on each of October 14, 2011, October 14, 2012 and October 14, 2013. This arrangement did not impact Mr. Jonas' cash compensation from the date of the Spin-Off through the pay period including the grant date. Total unrecognized compensation cost on the grant date was \$1,250,000. The unrecognized compensation cost has been and is expected to continue to be recognized over the vesting period from October 14, 2009 through October 14, 2014. The stock-based compensation related to this grant for the three months ended January 31, 2014 and January 31, 2013 was approximately \$69,000 for each period.

Net income attributable to CTM Media Holdings, Inc. and non-controlling interests

(in thousands) Three months ended January 31,	2014	2013	Change	
			\$	%
Income from operations	\$ 1,218	\$ 559	\$ 659	117.9%
Interest income, net	11	15	(4)	(26.7%)
Other income (expense), net	(2)	4	(6)	(150.0%)
Provision for income taxes	(428)	(149)	(279)	(187.2%)
Net income	799	429	370	86.2%
Less: Net income attributable to non controlling interest	(341)	(246)	(95)	(38.6%)
Net income attributable to CTM Media Holdings, Inc.	\$ 458	\$ 183	\$ 275	150.3%

Income from operations. Income from operations increased for the three months ended January 31, 2014 compared to the three months ended January 31, 2013 primarily due to increased revenue and gross profit of the IDW and CTM segments.

Income Taxes. Income tax expense increased for the three months ended January 31, 2014 compared to the three months ended January 31, 2013 by approximately \$279,000 due primarily to increased taxable income for the quarters ended January 31, 2014 compared to January 31, 2013.

The Company and IDT have a Tax Separation Agreement, dated September 14, 2009, that provides 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 must indemnify 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 must indemnify IDT from all liability for taxes of the Company and its subsidiaries occurring after September 14, 2009. Also, for periods ending on or before September 14, 2009, IDT shall have the right to control the conduct of any audit, examination or other proceeding brought by a taxing authority. The Company has the right to participate jointly in any proceeding that may affect the Company's tax liability unless IDT 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.

Income attributable to non-controlling interest. Non-controlling interests arise from the 23.335% interest in IDW not held by the Company.

CTM

(in thousands) Three months ended January 31,	2014	2013	Change	
			\$	%
Revenues	\$ 4,161	\$ 3,931	\$ 230	5.9%
Direct cost of revenues	1,474	1,453	21	1.4%
Selling, general and administrative	2,695	2,710	(15)	(0.6%)
Depreciation and amortization	245	243	2	0.8%
Bad debt expense	(11)	22	(33)	(150.0%)
Income from operations	\$ (242)	\$ (497)	\$ 255	51.3%

Revenues. The increase in CTM's revenues during the three months ended January 31, 2014 compared to the three months ended January 31, 2013 was primarily due to increased U.S. distribution revenue of \$140,000, led principally by Broadway distribution, and increased digital product revenue of \$100,000, offset by a slight net weakness in other revenue categories. Digital product revenue increased due to the improved monetization of our increased ExploreBoard digital touch screen footprint.

Direct Cost of Revenues. Direct cost of revenues consists primarily of distribution and fulfillment payroll, warehouse, distribution vehicle expenses, print and design expenses and digital content costs. Direct cost of revenues for the three months ended January 31, 2014 were relatively flat compared to the three months ended January 31, 2013, increasing by approximately \$21,000.

CTM's gross margin percentage increased slightly in the three months ended January 31, 2014 to 64.6% compared to 63.0% in the three months ended January 31, 2013. This increase was due primarily to the change in product mix with increased distribution and digital product revenues.

Selling, General and Administrative. Selling, general and administrative expenses consist primarily of payroll and related benefits, facilities costs and insurance. Selling, general and administrative expenses remained relatively flat in the three months ended January 31, 2014 compared to the three months ended January 31, 2013, decreasing by \$15,000.

As a percentage of CTM's revenue, selling, general and administrative expenses for the three months ended January 31, 2014 were 64.8%, compared to 68.9% in the three months ended January 31, 2013.

Bad Debt Expense. Bad debt expense decreased by approximately \$33,000 for the three months ended January 31, 2014 compared to 2013 reflecting better collection experience.

IDW

(in thousands)

Three months ended January 31,	2014	2013	Change	
			\$	%
Revenues	\$ 6,515	\$ 5,182	\$ 1,333	25.7%
Direct cost of revenues	3,262	2,887	375	13.0%
Selling, general and administrative	1,788	1,234	554	44.9%
Depreciation and amortization	5	5	-	0.0%
Income from operations	\$ 1,460	\$ 1,056	\$ 404	38.3%

Revenues. The increase in IDW's revenues in the three months ended January 31, 2014 compared to the three months January 31, 2013 of \$1,333,000 was primarily due to increases in direct market sales (independent comic book stores) of \$534,000, non-direct market sales of \$351,000, other publishing revenue of \$311,000 (due primarily to a new product launch and specialty sales) as well as increased digital publishing revenues of \$115,000. The increases reflect growth in available titles, a more diverse mix of products, improved product sell-through in the distribution network and general strength in the industry.

The increase in digital publishing revenue primarily resulted from broad distribution across all key platforms, a deep back catalog, same day as print single issue sales, and top mass media properties that reach beyond the core comics market. The IDW digital offering is available for Apple iOS, Android, Windows 8 and web-based platforms. Distribution partners include Apple iOS apps and iBookstore, comiXology, Amazon Kindle, Barnes & Noble Nook, Google Play, Kobo, Follett digital library network, iVerse Media, Madefire, Microsoft, Mindshapes and Open Road. IDW offers over 300 trades and graphic novels on all platforms and over 2,500 single issues through Apple apps, comiXology and iVerse Media.

Direct Cost of Revenues. Direct cost of revenues consists primarily of printing expenses and costs of artists and writers. Direct costs of revenues in the three months ended January 31, 2014 increased by \$375,000 compared to the three months ended January 31, 2013 primarily due to the increases in related revenue.

IDW's gross margin for the three months ended January 31, 2014 increased to 49.9% from 44.3% in the three months ended January 31, 2013. The increase was primarily due to the increasing contributions of digital publishing and direct market revenues that produce higher rates of gross profit.

Selling, General and Administrative. Selling, general and administrative expenses increased in the three months January 31, 2014 compared to the three months ended January 31, 2013 primarily due to compensation and benefit costs related to new hires, compensation based on net income and increased new business development expenses.

As a percentage of IDW's aggregate revenues, selling, general and administrative expenses increased in the three months ended January 31, 2014 to 27.4% from 23.8% in the three months ended January 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

We satisfied our cash requirements primarily through cash provided by the Company's operating activities.

(in thousands)	Three Months ended January 31,	
	2014	2013
Cash flows provided by (used in):		
Operating activities	\$ (1,055)	\$ 971
Investing activities	973	(78)
Financing activities	(980)	(2,796)
Net decrease in cash and cash equivalents	\$ (1,062)	\$ (1,903)

Operating Activities. Our cash flow from operations varies from quarter to quarter and from year to year, depending on our operating results and the timing of operating cash receipts and payments, specifically trade accounts receivable and trade accounts payable. Cash flows (used by) provided by operating activities based on these factors were approximately (\$1,055,000) and \$971,000 for the three months ended January 31, 2014 and 2013, respectively.

Investing Activities. Our capital expenditures were approximately \$115,000 and \$153,000 in the three months ended January 31, 2014 and 2013, respectively. We currently anticipate that total capital expenditures for all of our divisions in fiscal 2014 will be approximately \$1,000,000. We expect to fund our capital expenditures with our cash and cash equivalents on hand.

Financing Activities. During the three months ended January 31, 2014 and January 31, 2013, we paid our shareholders cash dividends in the amounts of approximately \$553,000 and \$2,478,000, respectively, and distributed cash to minority shareholders of IDW in the amounts of \$400,000 and \$304,000, respectively. We also repaid capital lease obligations of approximately \$62,000 and \$68,000 in the three months ended January 31, 2014 and January 31, 2013, respectively.

CHANGES IN TRADE ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Gross trade accounts receivable increased to approximately \$4,562,000 at January 31, 2014 compared to \$4,196,000 at January 31, 2013, reflecting higher revenue in 2014. The allowance for doubtful accounts as a percentage of gross trade accounts receivable decreased to 1.2% at January 31, 2014 from 2.8% at January 31, 2013 principally due improved CTM collection experience and higher IDW receivables.

OTHER SOURCES AND USES OF RESOURCES

We intend to, where appropriate, make strategic investments and acquisitions to complement, expand, and/or enter into new businesses. In considering acquisitions and investments, we search for opportunities to profitably grow our existing businesses, to add qualitatively to the range of businesses in our portfolio and to achieve operational synergies. Historically, such acquisitions have not exceeded \$500,000. If we were to pursue an acquisition in excess of \$500,000 we would likely need to secure financing arrangements. At this time, we cannot guarantee that we will be presented with acquisition opportunities that meet our return on investment criteria, or that our efforts to make acquisitions that meet our criteria will be successful.

We do not currently have any material debt obligations. We expect that our operations in fiscal 2014, the balance of cash and cash equivalents that we held as of January 31, 2014 and a \$1,500,000 line of credit established with our primary bank will be sufficient to meet our currently anticipated working capital and capital expenditure requirements, pay capital lease obligations, make limited acquisitions and investments, pay any currently announced and any future declared dividends, and fund any potential operating cash flow deficits within any of our segments for at least the next twelve months. In addition, we anticipate that our expected cash balances, as well as cash flows from our operations, will be sufficient to meet our long-term liquidity needs. The foregoing is based on a number of assumptions, including that we will collect on our receivables, effectively manage our working capital requirements, and maintain our revenue levels and liquidity. Predicting these matters is particularly difficult in the current worldwide and national economic situations. Failure to generate sufficient revenues and operating income could have a material adverse effect on our results of operations, financial condition and cash flows.

FOREIGN CURRENCY RISK

Revenues from our international operations represented 3.8% and 5.0% of our consolidated revenues for the three months ended January 31, 2014 and January 31, 2013, respectively. These revenues are in Canadian dollars. Our foreign currency exchange risk is somewhat mitigated by our ability to offset the majority of Canadian Dollar-denominated revenues with operating expenses that are paid in the same currency. While the impact from fluctuations in foreign exchange rates affects our revenues and expenses denominated in the foreign currency, the net amount of our exposure to foreign currency exchange rate changes at the end of each reporting period is generally not material.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any “off-balance sheet arrangements,” as defined in relevant SEC regulations that are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

RECENTLY ADOPTED ACCOUNTING STANDARDS

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. The 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 were effective for interim and annual periods beginning after December 15, 2011 and applied prospectively. Accounting standards Update ASU 2011-04 did not have a material impact on our Financial Statements.

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. This information is provided in the Condensed Consolidated Financial Statements.

CTM MEDIA HOLDINGS, INC.

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets as of January 31, 2014 and 2013	2
Condensed Consolidated Statements of Operations for the Three Months Ended January 31, 2014 and 2013	3
Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended January 31, 2014 and 2013	4
Condensed Consolidated Statements of Cash Flows for the Three Months Ended January 31, 2014 and 2013	5
Notes to Condensed Consolidated Financial Statements	6

CTM MEDIA HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	January 31, 2014 (unaudited)	October 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,279	\$ 9,341
Short term investment	-	1,003
Trade accounts receivable, net	4,509	3,388
Related party receivable	-	1,035
Inventory – finished goods	2,389	2,108
Prepaid expenses	1,132	1,044
Note receivable – current portion	340	340
Total current assets	<u>16,649</u>	<u>18,259</u>
Property and equipment, net	2,051	2,187
Note receivable – non-current portion	1,190	1,275
Deferred taxes – non-current portion	13,735	13,735
Other assets	231	199
Total assets	<u>\$ 33,856</u>	<u>\$ 35,655</u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	813	\$ 1,340
Accrued expenses	2,165	4,125
Deferred revenue	1,454	1,322
Income taxes payable	755	679
Deferred taxes payable	930	609
Capital lease obligations – current portion	202	206
Other current liabilities	321	355
Total current liabilities	<u>6,640</u>	<u>8,636</u>
Capital lease obligations – long term portion	428	451
Other liabilities	7	8
Total non-current liabilities	<u>435</u>	<u>459</u>
Total liabilities	<u>7,075</u>	<u>9,095</u>
Stockholders' Equity (see note 1):		
CTM Media Holdings, Inc. stockholders' equity:		
Preferred stock, \$.01 par value; authorized shares – 25; no shares issued at January 31, 2014 and October 31, 2013	-	-
Class A common stock, \$.01 par value; authorized shares – 300; 64 shares issued and outstanding at January 31, 2014 and October 31, 2013	1	1
Class B common stock, \$.01 par value; authorized shares – 600; 394 shares and 388 shares issued and outstanding at January 31, 2014 and October 31, 2013, respectively	4	4
Class C common stock, \$.01 par value; authorized shares – 125; 55 shares issued and outstanding at January 31, 2014 and October 31, 2013	1	1
Additional paid-in capital	51,663	51,794
Treasury stock, at cost, consisting of 9 shares of Class A at January 31, 2014 and October 31, 2013, and 43 shares of Class B at January 31, 2014 and October 31, 2013	(1,196)	(1,196)
Accumulated other comprehensive income	104	157
Accumulated deficit	(24,434)	(24,898)
Total CTM Media Holdings, Inc. stockholders' equity	<u>26,143</u>	<u>25,863</u>
Non-controlling interests	638	697
Total stockholders' equity	<u>26,781</u>	<u>26,560</u>
Total liabilities and stockholders' equity	<u>\$ 33,856</u>	<u>\$ 35,655</u>

See accompanying notes to condensed consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data)	Three Months Ended January 31,	
	2014	2013
Revenues	\$ 10,677	\$ 9,114
Costs and expenses:		
Direct cost of revenues	4,736	4,340
Selling, general and administrative (i)	4,483	3,945
Depreciation and amortization	251	248
Bad debt expense	(11)	22
Total costs and expenses	9,459	8,555
Income from operations	1,218	559
Interest income, net	11	15
Other (expense) income, net	(2)	4
Income before income taxes	1,227	578
Provision for income taxes	(428)	(149)
Net income	799	429
Less: net income attributable to non-controlling interests	(341)	(246)
Net income attributable to CTM Media Holdings, Inc.	\$ 458	\$ 183
Basic and diluted income per share attributable to CTM Media Holdings, Inc. common stockholders (see notes 1 and 3):		
Net income per share	\$ 1.00	\$ 0.44
Weighted-average number of shares used in the calculation of basic and diluted income per share:	457	413
Dividend declared per common share:	\$ 1.20	\$ 6.00
Interest Expense	\$ 5	\$ 11
(i) Stock-based compensation included in selling, general and administrative expenses	\$ 69	\$ 69

See accompanying notes to condensed consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(in thousands)	Three Months Ended	
	January 31,	
	2014	2013
Net income	\$ 799	429
Foreign currency translation adjustments	(47)	(4)
Comprehensive income	752	425
Comprehensive income attributable to non-controlling interests	(341)	(246)
Comprehensive income attributable to CTM Media Holdings, Inc.	\$ 411	179

See accompanying notes to condensed consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Three Months ended January 31,
(in thousands)

	2014	2013
Operating activities:		
Net income	\$ 799	\$ 429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	251	248
Bad debt expense	(11)	22
Stock based compensation	422	69
Changes in assets and liabilities:		
Trade accounts receivable	(1,110)	(1,127)
Inventory, prepaid and other assets	634	(201)
Deferred taxes	321	48
Line of credit payable	-	300
Trade accounts payable, accrued expenses and other current liabilities	(2,493)	913
Deferred revenue	132	270
Net cash (used in) provided by operating activities	<u>(1,055)</u>	<u>971</u>
Investing activities:		
Maturity of short term investment	1,003	-
Capital expenditures	(115)	(153)
Payments received from notes receivable on sale of assets	85	75
Net cash provided by (used in) investing activities	<u>973</u>	<u>(78)</u>
Financing activities:		
Distributions to holders of non-controlling interests	(400)	(304)
Dividends paid	(553)	(2,478)
Financing under capital leases	35	54
Repayments of capital lease obligations	(62)	(68)
Net cash used in financing activities	<u>(980)</u>	<u>(2,796)</u>
Net decrease in cash and cash equivalents	<u>(1,062)</u>	<u>(1,903)</u>
Cash and cash equivalents at beginning of period	<u>9,341</u>	<u>8,254</u>
Cash and cash equivalents at end of period	<u>\$ 8,279</u>	<u>\$ 6,351</u>
Supplemental schedule of investing and financing activities		
Cash paid for interest	\$ 5	\$ 11
Cash paid for income taxes	\$ 31	-
Purchases of property and equipment through capital lease obligations	\$ 35	\$ 54

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

See accompanying notes to condensed consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2014 AND 2013
(Unaudited)

Note 1—Basis of Presentation

The accompanying consolidated financial statements of CTM Media Holdings, Inc. and its subsidiaries (the “Company”) have been prepared by Management in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). In the opinion of management, all adjustments (consisting principally of normal recurring accruals) considered necessary for a fair presentation have been included.

On June 6, 2012, the Board of Directors of the Company approved a change in the Company’s fiscal year end from July 31 to October 31. All information is shown giving effect to this change. Each reference below to a fiscal year refers to the fiscal year ending in the calendar year indicated (e.g., fiscal 2013 refers to the fiscal year ending October 31, 2013).

The Company is a holding company consisting of the following principal businesses:

CTM Media Group (“CTM”), the Company’s brochure and digital distribution companies and other advertising-based product initiatives focused on small to medium sized businesses; and

The Company’s majority 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 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.

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 the 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. On September 14, 2009, as a result of the Spin-Off, the Company had 1,284,985 shares (approximately 64,249 shares after giving effect to the Reverse Split) of Class A common stock, 5,137,736 shares (approximately 256,886 shares after giving effect to the Reverse Split) of Class B common stock and 1,090,775 shares (approximately 54,538 shares after giving effect to the Reverse Split) of Class C common stock issued and outstanding.

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 a Master Services Agreement, dated September 14, 2009, pursuant to which IDT Corporation provided the Company, among other things, certain administrative and other services. In addition, pursuant to the Master Services Agreement, IDT Corporation provided certain additional services to the Company, on an interim basis. Such services included assistance with periodic reports that were required to be filed with the SEC, as well as maintaining minutes, books and records of meetings of the Board of Directors, Audit Committee and Compensation Committee, and assistance with corporate governance. The cost of these additional services are not included in the Company’s historical results of operations for the period prior to the Spin-Off, as they were not applicable for periods that the Company was not a separate public company. IDT Corporation did not provide any services to the Company during the three months ended January 31, 2014 and 2013.

On December 13, 2011, the Company filed the Form 15 with the Securities and Exchange Commission (the “SEC”) suspending its registration under the Exchange Act, thus suspending its filing of periodic reports with the SEC. The Company’s Class A Common Stock and Class B Common Stock continues to trade on the OTC Pink Sheets on the Pink tier. The Company continues 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.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2014 AND 2013

(Unaudited)

Note 1—Basis of Presentation (continued)

Reverse stock split

On October 18, 2011, the Company's Board of Directors 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 held 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 were paid cash payments (without interest or deduction) in lieu of such fractional shares. The Reverse Split was effective December 9, 2011.

All Common Stock and related per share amounts in these Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements are reflected on an after-Reverse-Split basis for all periods presented.

Note 2—Dividends

On March 13, 2014, the Board of Directors, in light of the Company's cash position, determined to declare the payment of a cash dividend in the amount of \$1.20 per share (approximately \$550,000 in the aggregate) which, subject to confirmation by the Company's management that there is sufficient surplus as of the proposed payment date, will be paid on or about April 4, 2014 to stockholders of record as of March 26, 2014 of the Company's Class A common stock, Class B common stock and Class C common stock.

On January 24, 2014, the Company paid a cash dividend in the amount of \$1.20 per share (approximately \$553,000 in the aggregate) to stockholders of record as of January 20, 2014 of the Company's Class A common stock, Class B common stock and Class C common stock.

The Company paid a special cash dividend in the amount of \$6.00 per share (approximately \$2,478,000) on December 21, 2012. The dividend was paid to stockholders of record as of December 17, 2012 of the Registrant's Class A common stock, Class B common stock and Class C common stock. In connection with the declaration of the payment of the special dividend, the Company had suspended its regular quarterly dividends for 2013, however the Board of Directors, in light of the Company's cash position, paid cash dividends in the amount of \$1.20 per share (each approximately \$495,000, in the aggregate) on July 2, 2013 and October 1, 2013 to stockholders of record as of June 24, 2013 and September 23, 2013, respectively, of the Company's Class A common stock, Class B common stock and Class C common stock.

The declaration of future dividends will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination by the Board that dividends are in the best interest of our stockholders at that time, 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.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2014 AND 2013

(Unaudited)

Note 2—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 the Company's founder and Chairman of the Board, Howard Jonas. 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 three months ended January 31, 2014 and January 31, 2013, there were no shares that were potentially dilutive. As a result basic earnings per share and diluted earnings per share were the same.

Note 3—Equity

Changes in the components of stockholders' equity were as follows:

	Three Months Ended January 31, 2014		
	Attributable to CTM Media Holdings, Inc.	Non-controlling Interests	Total
	(in thousands)		
Balance, October 31, 2013	\$ 25,863	\$ 697	\$ 26,560
Stock based compensation	422	-	422
Cash distributions	-	(400)	(400)
Cash dividends	(553)	-	(553)
Comprehensive income:			
Net income	458	341	799
Other comprehensive income	(47)	-	(47)
Total comprehensive income	411	341	752
Balance, January 31, 2014	<u>\$ 26,143</u>	<u>\$ 638</u>	<u>\$ 26,781</u>

On October 31, 2013, the Company's Board of Directors granted Howard S. Jonas, the Company's founder and Chairman, 38,796 restricted shares of the Company's Class B common stock with a value of \$2,327,760 on the date of grant in lieu of a bonus for fiscal 2013 and a cash base salary for the period October 14, 2014 to December 31, 2019. Total unrecognized compensation cost on the date of grant was \$2,277,760. The unrecognized compensation is recognized over the vesting period. The restricted shares vest as follows:

<u>Date</u>	<u>Number of shares</u>
10/31/13	833
9/30/15	5,834
9/30/16	6,417
9/30/17	7,058
9/30/18	7,764
9/30/19	8,541
12/31/19	2,349

On October 22, 2013, the Company's Board of Directors elected to donate \$200,000 to The CTM Media Charitable Foundation ("Foundation"), an IRS Section 501(c)(3) tax-exempt organization. The donation consisted of \$20,000 in cash and \$180,000 in the Company's Class B common stock. The Company, is the sole member of the Foundation, and the Company's CEO and CFO are the directors and officers of the Foundation.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2014 AND 2013

(Unaudited)

Note 3—Equity (continued)

On April 24, 2012 the Company repurchased 3,152 shares of its Class B common stock for the aggregate amount of \$125,922 from the IDT Corporation 401(k) plan. The Company's Chairman of the Board is also the Chairman of the Board of IDT Corporation, which administers the IDT Corporation 401(k) Plan.

On February 22, 2011 the Board of Directors approved the buyback of up to 50,000 shares (after giving effect to the Reverse Split) 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.

The Company repurchased \$1.1 million of its Class A and Class B common stock in the second quarter ended January 31, 2010 in connection with a tender offer that expired on December 22, 2009.

On October 14, 2009, the Company's Board of Directors granted its founder and Chairman, Howard S. Jonas, 1,785,714 restricted shares (approximately 89,285 restricted shares after giving effect to the Reverse Split) 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 vested in equal thirds on each of October 14, 2011, October 14, 2012 and October 14, 2013. Total unrecognized compensation cost on the grant date was \$1,250,000. The unrecognized compensation is recognized over the vesting period from October 14, 2009 through October 14, 2014.

As part of the Company's Spin-Off from IDT Corporation, 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 corresponding IDT Corporation restricted shares in respect of which they were issued. Upon completion of the Spin-Off on September 14, 2009, there were approximately 300,000 shares (15,000 shares after giving effect to the Reverse Split) of Class A unvested restricted stock and approximately 500,000 shares (25,000 shares after giving effect to the Reverse Split) of Class B unvested restricted stock.

On September 3, 2009, the Company's Compensation Committee ratified the Company's 2009 Stock Option and Incentive Plan (the "Company's Stock Option and Incentive Plan"), which was previously adopted by the Company's Board of Directors and approved by IDT Corporation as the Company's sole stockholder at the time, 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's Stock Option and Incentive Plan is 383,020 shares (approximately 19,151 shares after giving effect to the Reverse Split), subject to adjustment. Incentives available under the Company's 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's 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's Stock Option and Incentive Plan to date.

Note 4—Line of Credit

On July 28, 2012, CTM Media Group Inc., a subsidiary of the Company, entered into a loan agreement with its primary bank that provides for a \$1.5 million revolving line of credit, renewable annually, with interest payable monthly. The revolving line of credit was renewed on June 13, 2013, extended to September 30, 2013 and amended on November 22, 2013 further extending the line of credit to April 30, 2014. Any outstanding balance of interest and principal is payable no later than the expiration date of the agreement. The Company has pledged substantially all of its CTM Segment assets in guarantee of the loan and the Company's CTM Segment subsidiaries have also provided guarantees under the agreement. The agreement requires the company to maintain certain ratios related to liquidity and profitability, among other provisions. At January 31, 2014, no balance was outstanding under the line of credit.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2014 AND 2013

(Unaudited)

Note 5—Business Segment Information

The Company has the following two reportable business segments: CTM and IDW. CTM consists of the Company's brochure and digital advertising distribution company and other advertising-based 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.

The accounting policies of the segments are the same as the accounting policies of the Company as a whole. The Company evaluates the performance of its business segments based primarily on operating income. There are no other significant asymmetrical allocations to segments.

Operating results for the business segments of the Company are as follows:

(in thousands)	CTM	IDW	Total
Three months ended January 31, 2014			
Revenues	\$ 4,161	\$ 6,516	\$ 10,677
Operating income (loss)	\$ (242)	\$ 1,460	\$ 1,218
Depreciation and amortization	\$ 246	\$ 5	\$ 251
Total assets at January 31, 2014	\$ 23,036	\$ 10,820	\$ 33,856
Three months ended January 31, 2013			
Revenues	\$ 3,932	\$ 5,182	\$ 9,114
Operating income (loss)	\$ (497)	\$ 1,056	\$ 559
Depreciation and amortization	\$ 243	\$ 5	\$ 248
Total assets at January 31, 2013	\$ 23,132	\$ 8,340	\$ 31,472

Note 6—Provision for Income Taxes

Income tax expense increased for the three months ended January 31, 2014 compared to 2013 by approximately \$279,000. The increase for the three months ended January 31, 2014 compared to 2013 is primarily due to an increase in taxable income.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2014 AND 2013
(Unaudited)

Note 7— Recently Issued Accounting Standards

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. The 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 were effective for interim and annual periods beginning after December 15, 2011, applied prospectively. This Accounting Standards Update, ASU 2011-04, did not have a material impact on the Company's Financial Statements.

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. This information is included in the accompanying condensed consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED JANUARY 31, 2014 AND 2013
(Unaudited)**

Note 8—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.

The Company also has 401(k) matching plans whereby the Company matches a percentage of employees' 401(k) contributions, based on maximum employee deferral rates of calendar year W-2 compensation, as defined in the plans. Funds are added to accounts of employees that are actively employed in a given calendar year, as defined. Although CTM is fully committed to the plans, the company's match and the terms of the match are subject to cancellation and/or change, at any time, without notice.

The Company expensed approximately \$54,000 and \$27,000 for 401(k) matching for the three months ended January 31, 2014 and January 31, 2013, respectively.

Note 9— Subsequent events

Management has evaluated subsequent events through March 17, 2014, the date on which the consolidated financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosures in these condensed consolidated financial statements.

Item 10 Certifications.

I, Marc E. Knoller, certify that:

1. I have reviewed this quarterly disclosure statement of CTM Media Holdings, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 17, 2014

/s/ Marc E. Knoller

Chief Executive Officer

I, Leslie B. Rozner, certify that:

1. I have reviewed this quarterly disclosure statement of CTM Media Holdings, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 17, 2014

/s/ Leslie B. Rozner

Chief Financial Officer