

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 consolidated financial statements and the associated notes thereto of this Annual Report, and the audited consolidated financial statements and the notes thereto and our 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 Annual 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 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.

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.

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 (including Puerto Rico). CTM's Puerto Rico operation had not been profitable for the last four years and CTM's management determined that a return to profitability was not likely. Consequently, the Company's Puerto Rico operations were discontinued on May 31, 2013. The effect on CTM is 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 50.0% and 51.5% of our consolidated revenues in the three months ended October 31, 2013 and 2012, respectively, and 45.2% and 51.5% in the fiscal years ended October 31, 2013 and 2012, respectively.

IDW

IDW is a comic book and graphic novel publisher that creates and licenses intellectual property. IDW's revenues represented 50.0% and 48.5% of our consolidated revenues in the three months ended October 31, 2013 and 2012, respectively, and 54.8% and 48.5% in the fiscal years ended October 31, 2013 and 2012, 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 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 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 next five years. The restricted shares vested in equal thirds on each of October 14, 2011, October 14, 2012 and October 14, 2013. This arrangement does 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 October 31, 2013 and 2012 was approximately \$69,000 for each period, and for the fiscal years ended October 31, 2013 and 2012 was approximately \$275,000 for each period.

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

(in thousands)

<u>Three months ended October 31,</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Income from operations	\$ 1,060	\$ 1,079	\$ (19)	(1.8%)
Interest income, net	12	12	-	0.0%
Other income (expense), net	3	15	(12)	(80.0%)
Provision for income taxes	(237)	(378)	141	37.3%
Net income	838	728	110	15.1%
Less: Net income attributable to non controlling interest	(174)	(123)	(51)	(41.5%)
Net income attributable to CTM Media Holdings, Inc.	\$ 664	\$ 605	\$ 59	9.8%

(in thousands)

<u>Fiscal Year ended October 31,</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Income from operations	\$ 4,578	\$ 2,907	\$ 1,671	57.5%
Interest income, net	36	50	(14)	(28.0%)
Other income, net	27	28	(1)	(3.6%)
(Provision for) benefit from income taxes	(1,463)	11,964	(13,427)	(112.2%)
Net income	3,178	14,949	(11,771)	(78.7%)
Less: Net income attributable to non controlling interest	(935)	(509)	(426)	(83.7%)
Net income attributable to CTM Media Holdings, Inc.	\$ 2,243	\$ 14,440	\$ (12,197)	(84.5%)

Income from operations. Income from operations decreased for the three months ended October 31, 2013 compared to the three months ended October 31, 2012 due primarily to increased selling, general and administrative expenses in the CTM segment, and increased for the fiscal year ended October 31, 2013 compared to the fiscal year ended October 31, 2012 primarily as a result of increased revenues in the IDW segment.

Income Taxes. Income tax expense decreased for the three months ended October 31, 2013 compared to the three months ended October 31, 2012 by approximately \$141,000 due primarily to decreased taxable income in the quarter. Income tax expense increased for the fiscal year ended October 31, 2013 compared to the fiscal year ended October 31, 2012 by approximately \$13,427,000. The increase in expense is due primarily to the fact that in the prior period, the Company was able to recognize the full value of its deferred tax assets and consequently released the associated valuation allowance, as well as increased taxable income in the fiscal year.

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 accruing 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 October 31,	2013	2012	Change	
			\$	%
Revenues	\$ 5,285	\$ 5,019	\$ 266	5.3%
Direct cost of revenues	1,581	1,549	32	2.1%
Selling, general and administrative	3,156	2,679	477	17.8%
Depreciation and amortization	206	218	(12)	(5.5%)
Bad debt expense	28	21	7	33.3%
Income from operations	\$ 314	\$ 552	\$ (238)	(43.1%)

(in thousands)

Fiscal Year ended October 31,	2013	2012	Change	
			\$	%
Revenues	\$ 18,809	\$ 18,350	\$ 459	2.5%
Direct cost of revenues	6,085	6,058	27	.4%
Selling, general and administrative	11,092	10,657	435	4.1%
Depreciation and amortization	990	835	155	18.6%
Bad debt expense	69	79	(10)	(12.7%)
Income from operations	\$ 573	\$ 721	\$ (148)	(20.5%)

Revenues. The increase in CTM's revenues during the three months ended October 31, 2013 compared to the three months ended October 31, 2012 was primarily due to increased digital and publishing product revenue of \$175,000, distribution revenue of \$163,000, offset by weakness in Canadian distribution revenue of (\$87,000). The increase in CTM's revenues during the fiscal year ended October 31, 2013 compared to the fiscal year ended October 31, 2012 was primarily due to increased digital product revenue of \$686,000, publication and other revenue of \$106,000, offset by net distribution weakness, mostly due to Broadway and Sport (\$174,000), and Canadian (\$185,000) distribution revenue.

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 and fiscal year ended October 31, 2013 were relatively flat for the two periods, increasing by approximately \$32,000 and \$27,000, respectively.

CTM's gross margin percentage increased slightly in the three months ended October 31, 2013 to 70.1% compared to 69.1% in the three months ended October 31, 2012. Gross margin increased in the fiscal year ended October 31, 2013 to 67.6% compared to 67.0% in the fiscal year ended October 31, 2012. These increases were due primarily to the change in product mix with increasing digital products and publishing from distribution.

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 increased in the three months ended October 31, 2013 compared to the three months ended October 31, 2012 primarily due to increased bonus expense and charitable contributions. Selling, general and administrative expense increased in the fiscal year ended October 31, 2013 compared to the fiscal year ended October 31, 2012 primarily due to increased salaries, bonus, benefits and charitable contributions.

As a percentage of CTM's revenue, selling, general and administrative expenses for the three months and fiscal year ended October 31, 2013 were 59.7% and 59.0%, respectively, compared to 53.4% and 58.1% in the three months and fiscal year ended October 31, 2012, respectively.

Bad Debt Expense. Bad debt expense increased by approximately to \$7,000 for the three months ended October 31, 2013 compared to 2012 reflecting seasonal experience revenues. Bad debt expense decreased by approximately \$10,000 for the fiscal year ended October 31, 2013 compared to 2012 primarily due to improved seasonal reserve experiences over the full year in the collections and aging of CTM segment trade receivables.

IDW

(in thousands)

Three months ended October 31,	2013	2012	Change	
			\$	%
Revenues	\$ 5,293	\$ 4,721	\$ 572	12.1%
Direct cost of revenues	3,023	3,035	(12)	(0.4%)
Selling, general and administrative	1,518	1,154	364	31.5%
Depreciation and amortization	6	5	1	20.0%
Income from operations	<u>\$ 746</u>	<u>\$ 527</u>	<u>\$ 219</u>	<u>41.6%</u>

(in thousands)

Fiscal Year ended October 31,	2013	2012	Change	
			\$	%
Revenues	\$ 22,831	\$ 17,290	\$ 5,541	32.0%
Direct cost of revenues	12,637	10,591	2,046	19.3%
Selling, general and administrative	6,169	4,491	1,678	37.4%
Depreciation and amortization	21	21	-	0.0%
Income from operations	<u>\$ 4,004</u>	<u>\$ 2,187</u>	<u>\$ 1,817</u>	<u>83.1%</u>

Revenues. The increases in IDW's revenues in the three months and fiscal year ended October 31, 2013 compared to the three months and fiscal year ended October 31, 2012 of \$572,000 and \$5,541,000, respectively, were primarily due to increases in direct market sales (independent comic book stores) of \$458,000 and \$2,474,000 as well as digital publishing revenues of \$89,000 and \$880,000, respectively. While slightly down (\$67,000) for the three months ended October 31, 2013 compared to October 31, 2012, IDW had an overall increase in non-direct market sales for the fiscal year ended October 31, 2013 compared to October 31, 2012 of \$959,000. IDW's direct and specialty sales also increased by \$98,000 and \$933,000 for the three months and fiscal years ended October 31, 2013 and 2012, respectively. The increases reflect new titles, growth in artist editions sales, growth in repeating sales, a more diverse mix of products, improved product sell-through in the distribution network and general strength in the industry.

Increases in digital 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, Open Road and Diamond Digital. IDW offers over 300 trades and graphic novels on all platforms and over 2,500 single issues through Apple apps, comiXology, iVerse Media and Diamond Digital.

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 October 31, 2013 compared to the three months October 31, 2012 remained flat although related revenue increased primarily due to a fourth quarter 2012 inventory obsolescence write down in addition to early payment discounts. Direct costs of revenues increased in the fiscal year ended October 31, 2013 compared to the fiscal year ended October 31, 2012 primarily due to increases in the direct costs of digital publishing and print publishing. The increase in direct cost of digital publishing and print publishing revenue was primarily attributable to the increase in related revenue.

IDW's gross margin for the three months and fiscal year ended October 31, 2013 increased to 42.9% and 44.6%, respectively, from 35.7% and 38.7% in the three months and fiscal year ended October 31, 2012, respectively. 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 and fiscal year ended October 31, 2013 compared to the three months and fiscal year ended October 31, 2012 primarily due to compensation and benefit costs related to new hires, compensation based on net income, increased advertising and marketing costs, increased selling and distribution costs related to revenue increases and the opening of a new warehouse.

As a percentage of IDW's aggregate revenues, selling, general and administrative expenses changed in the three months and fiscal year ended October 31, 2013 to 28.7% and 27.0%, respectively, from 24.4% and 26.0% in the three months and fiscal year ended October 31, 2012, respectively. The increase in selling general and administrative expenses in the three month periods and fiscal years is primarily due to bonuses based on net revenue and salaries.

LIQUIDITY AND CAPITAL RESOURCES

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

(in thousands)	Fiscal Year ended October 31,	
	2013	2012
Cash flows provided by (used in):		
Operating activities	\$ 6,755	\$ 3,706
Investing activities	(1,419)	173
Financing activities	(4,248)	(2,442)
Increase in cash and cash equivalents	\$ 1,088	\$ 1,437

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 provided by operating activities based on these factors were approximately \$6,755,000 and \$3,706,000 for the fiscal years ended October 31, 2013 and 2012, respectively.

Investing Activities. Our capital expenditures were approximately \$726,000 and \$1,261,000 in the fiscal years ended October 31, 2013 and 2012, respectively. We currently anticipate that total capital expenditures for all of our divisions in fiscal 2013 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 fiscal years ended October 31, 2013 and October 31, 2012, we paid our shareholders cash dividends in the amounts of approximately \$3,469,000 and \$1,998,000, respectively, and distributed cash to minority shareholders of IDW in the amounts of \$755,000 and \$453,000, respectively. We also repaid capital lease obligations of approximately \$253,000 and \$242,000 in the fiscal years ended October 31, 2013 and October 31, 2012, respectively.

CHANGES IN TRADE ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Gross trade accounts receivable increased to approximately \$3,477,000 at October 31, 2013 compared to \$3,081,000 at October 31, 2012, reflecting higher revenue in 2013. The allowance for doubtful accounts as a percentage of gross trade accounts receivable decreased to 2.5% at October 31, 2013 from 3.6% at October 31, 2012 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 2013, the balance of cash and cash equivalents that we held as of October 31, 2013 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 5.5% and 6.8% of our consolidated revenues for the fiscal years ended October 31, 2013 and October 31, 2012, 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.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of CTM Media Holdings, Inc. and Subsidiaries as of October 31, 2013 and 2012 the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the fiscal years ended October 31, 2013 and 2012. These consolidated 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 audit.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audits 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 audits of its internal control over financial reporting. Our audits 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 also 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CTM Media Holdings, Inc. and Subsidiaries as of October 31, 2013 and 2012, and the consolidated results of its operations, comprehensive income, stockholders' equity, and its cash flows for the fiscal years ended October 31, 2013 and 2012, in conformity with generally accepted accounting principles in the United States of America.

/s/ Zwick & Banyai, PLLC

Zwick & Banyai, PLLC

Southfield, Michigan

January 29, 2014

CTM MEDIA HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands)	October 31, 2013	October 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,341	\$ 8,254
Short term investment	1,003	-
Trade accounts receivable, net	3,388	2,971
Related party receivable	1,035	-
Inventory – finished goods	2,108	1,597
Prepaid expenses	1,044	936
Note receivable – current portion	340	310
Deferred taxes – current portion	-	101
Total current assets	18,259	14,169
Property and equipment, net	2,187	2,471
Intangible assets, net	6	19
Note receivable – non-current portion	1,275	1,615
Deferred taxes – non-current portion	13,735	13,811
Other assets	193	196
Total assets	\$ 35,655	\$ 32,281
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	1,340	\$ 1,013
Accrued expenses	4,125	1,633
Deferred revenue	1,322	1,228
Income taxes payable	679	169
Deferred taxes payable	609	-
Capital lease obligations – current portion	206	209
Other current liabilities	355	395
Total current liabilities	8,636	4,647
Capital lease obligations – long term portion	451	473
Other liabilities	8	11
Total non-current liabilities	459	484
Total liabilities	9,095	5,131
Stockholders' Equity (see note 1):		
CTM Media Holdings, Inc. stockholders' equity:		
Preferred stock, \$.01 par value; authorized shares – 25; no shares issued at October 31, 2013 and 2012	-	-
Class A common stock, \$.01 par value; authorized shares – 300; 64 shares issued and outstanding at October 31, 2013 and 2012	1	1
Class B common stock, \$.01 par value; authorized shares – 600; 388 shares and 346 shares issued and outstanding at October 31, 2013 and 2012, respectively	4	3
Class C common stock, \$.01 par value; authorized shares – 125; 55 shares issued and outstanding at October 31, 2013 and 2012	1	1
Additional paid-in capital	51,794	54,759
Treasury stock, at cost, consisting of 9 shares of Class A at October 31, 2013 and 2012, and 69 shares and 43 shares of Class B at October 31, 2013 and 2012, respectively	(1,196)	(1,196)
B at October 31, 2013, respectively	157	206
Accumulated other comprehensive income	(24,898)	(27,141)
Total CTM Media Holdings, Inc. stockholders' equity	25,863	26,633
Non-controlling interests	697	517
Total stockholders' equity	26,560	27,150
Total liabilities and stockholders' equity	\$ 35,655	\$ 32,281

See accompanying notes to consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)	Three Months Ended October 31, (unaudited)		Fiscal Year Ended October 31,	
	2013	2012	2013	2012
Revenues	\$ 10,579	\$ 9,740	\$ 41,641	\$ 35,640
Costs and expenses:				
Direct cost of revenues	4,604	4,584	19,421	16,649
Selling, general and administrative (i)	4,675	3,833	16,561	15,149
Depreciation and amortization	212	223	1,012	856
Bad debt expense	28	21	69	79
Total costs and expenses	9,519	8,661	37,063	32,733
Income from operations	1,060	1,079	4,578	2,907
Interest income, net	12	12	36	50
Other income, net	3	15	27	28
Income before income taxes	1,075	1,106	4,641	2,985
(Provision for) benefit from income taxes	(237)	(378)	(1,463)	11,964
Net income	838	728	3,178	14,949
Less: net income attributable to non-controlling interests	(174)	(123)	(935)	(509)
Net income attributable to CTM Media Holdings, Inc.	\$ 664	\$ 605	\$ 2,243	\$ 14,440
Basic and diluted income per share attributable to CTM Media Holdings, Inc. common stockholders (see notes 1 and 3):				
Net income per share	\$ 1.61	\$ 1.46	\$ 5.43	\$ 34.88
Weighted-average number of shares used in the calculation of basic and diluted income per share:	413	413	413	414
Dividend declared per common share:	\$ 1.20	\$ 1.20	\$ 8.40	\$ 4.80
Interest Expense	\$ 5	\$ 4	\$ 25	\$ 19
(i) Stock-based compensation included in selling, general and administrative expenses	\$ 392	\$ 69	\$ 678	\$ 274

See accompanying notes to consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Three Months Ended October 31, (unaudited)		Fiscal Year Ended October 31,	
	2013	2012	2013	2012
Net income	\$ 838	728	\$ 3,178	\$ 14,949
Foreign currency translation adjustments	(19)	13	(49)	20
Comprehensive income	819	741	3,129	14,969
Comprehensive income attributable to non-controlling interests	(174)	(123)	(935)	(509)
Comprehensive income attributable to CTM Media Holdings, Inc.	\$ 645	618	\$ 2,194	\$ 14,460

See accompanying notes to consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 and 2012

(in thousands)

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount						
BALANCE AT October 31, 2011 (Unaudited)	64	\$ 1	346	\$ 3	55	\$ 1	\$ 56,483	\$ (1,070)	\$ 186	\$ (41,581)	\$ 461	\$ 14,484
Stock-based compensation on restricted stock	—	—	—	—	—	—	274	—	—	—	—	274
Dividends (\$4.80 per common share)	—	—	—	—	—	—	(1,998)	—	—	—	—	(1,998)
Distributions	—	—	—	—	—	—	—	—	—	—	(453)	(453)
Repurchase of Class A common stock and Class B common stock	—	—	—	—	—	—	—	(126)	—	—	—	(126)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	20	—	—	20
Net income for the year ended October 31, 2012	—	—	—	—	—	—	—	—	—	14,440	509	14,949
Comprehensive income	—	—	—	—	—	—	—	—	20	14,440	509	14,969
BALANCE AT October 31, 2012	64	\$ 1	346	\$ 3	55	\$ 1	\$ 54,759	\$ (1,196)	\$ 206	\$ (27,141)	\$ 517	\$ 27,150
Stock-based compensation on restricted stock	—	—	39	1	—	—	324	—	—	—	—	325
Dividends (\$8.40 per common share)	—	—	—	—	—	—	(3,469)	—	—	—	—	(3,469)
Distributions	—	—	—	—	—	—	—	—	—	—	(755)	(755)
Issuance of Class B common stock	—	—	3	—	—	—	180	—	—	—	—	180
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(49)	—	—	(56)
Net income for the year ended October 31, 2013	—	—	—	—	—	—	—	—	—	2,243	935	3,185
Comprehensive income	—	—	—	—	—	—	—	—	(49)	2,243	935	3,129
BALANCE AT October 31, 2013	64	\$ 1	388	\$ 4	55	\$ 1	\$ 51,794	\$ (1,196)	\$ 157	\$ (24,898)	\$ 697	\$ 26,560

See accompanying notes to consolidated financial statements.

CTM MEDIA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

**Fiscal Year ended October 31,
(in thousands)**

	2013	2012
Operating activities:		
Net income	\$ 3,178	\$ 14,949
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,011	856
Bad debt expense	69	79
Stock based donation	180	-
Stock based compensation	325	274
Changes in assets and liabilities:		
Trade accounts receivable	(1,513)	(229)
Inventory, prepaid and other assets	(603)	325
Deferred taxes	177	(11,866)
Trade accounts payable, accrued expenses and other current liabilities	3,837	(235)
Deferred revenue	94	(447)
Net cash provided by operating activities	<u>6,755</u>	<u>3,706</u>
Investing activities:		
Proceeds from maturity of short term investment	-	1,034
Short term investment	(1,003)	-
Capital expenditures	(726)	(1,261)
Payments received from notes receivable on sale of assets	310	400
Net cash (used in) provided by investing activities	<u>(1,419)</u>	<u>173</u>
Financing activities:		
Distributions to holders of non-controlling interests	(755)	(453)
Repurchase of Class B common stock	-	(126)
Dividends paid	(3,469)	(1,998)
Financing under capital leases	211	377
Repayments of capital lease obligations	(236)	(242)
Net cash used in financing activities	<u>(4,249)</u>	<u>(2,442)</u>
Net increase in cash and cash equivalents	1,087	1,437
Cash and cash equivalents at beginning of period	<u>8,254</u>	<u>6,817</u>
Cash and cash equivalents at end of period	<u>\$ 9,341</u>	<u>\$ 8,254</u>
Supplemental schedule of investing and financing activities		
Cash paid for interest	\$ 25	\$ 19
Cash paid for income taxes	\$ 148	162
Purchases of property and equipment through capital lease obligations	\$ 148	377

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

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

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 and fiscal years ended October 31, 2013 and 2012.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

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 Consolidated Financial Statements and Notes to Consolidated Financial Statements are reflected on an after-Reverse-Split basis for all periods presented.

Non-controlling Interests

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. Revenues from CTM printing services are 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' are met.

Revenue Recognition When Right of Return Exists

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

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 1—Basis of Presentation (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 years; vehicles—5 years; and computer software—2, 3 & 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.

Advertising Expense

Non-direct response advertising is expensed as incurred. In fiscal 2013 and fiscal 2012, advertising expense was approximately \$233,000 and \$322,000, respectively. Advertising expense was approximately \$60,000 and \$63,000 for the three months ended October 31, 2013 and October 31, 2012, 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

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 1—Basis of Presentation (continued)

Income Taxes (continued)

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.

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. 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 restricted stock still subject to risk of forfeiture (non-vested) using the treasury stock method, unless the effect of such increase is anti-dilutive.

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 October 31 (in thousands)	2013	2012
Basic weighted-average number of shares	413	414
Effect of dilutive securities:		
Non-vested restricted common stock	-	-
Diluted weighted-average number of shares	413	414

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 costs recognized based on the grant-date fair value. Stock-based compensation is included in selling, general and administrative expense. During the fiscal year ended October 31, 2011, the Company began recognizing the compensation on a straight-line basis in accordance with ASC 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 42.5% and 46.7% of the total consolidated revenues for the fiscal years ended October 31, 2013 and October 31, 2012, respectively, and 40.5% and 40.0% for the three months ended October 31, 2013 and 2012, respectively. No other single customer accounted for more than 10% of consolidated revenues in fiscal 2013 or fiscal 2012 or in the three months ended October 31, 2013 and 2012. The receivable balances from this customer represented approximately 39.3% and 41.6% of the total consolidated trade accounts receivable at October 31, 2013 and October 31, 2012, 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.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 1—Basis of Presentation (continued)

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 2013 and 2012, estimated returns exceeded actual returns by approximately \$71,000 and \$145,000, respectively.

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

Fiscal Year ended October 31 (in thousands)	Balance at beginning of year	Additions charged to revenues	Actual returns	Balance at end of year
2013				
Reserves deducted from accounts receivable:				
Allowance for sales returns	\$ 216	\$ 1,801	\$ (1,815)	\$ 202
2012				
Reserves deducted from accounts receivable:				
Allowance for sales returns	\$ 304	\$ 2,132	\$ (2,220)	\$ 216

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 October 31 (in thousands)	Balance at beginning of year	Additions charged to costs and expenses	Deductions (1)	Balance at end of year
2013				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	\$ 110	\$ 69	\$ (91)	\$ 88
2012				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	\$ 739	\$ 79	\$ (708)	\$ 110

(1) 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 October 31, 2013 and 2012, the carrying value of the Company's trade accounts receivable, inventory, prepaid expenses, trade accounts payable, accrued expenses, deferred revenue, capital lease obligations-current portion, and other current liabilities approximate fair value because of the short period of time to maturity. At October 31, 2013 and 2012, 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.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 1—Basis of Presentation (continued)

On December 20, 2010 the Company filed an amendment to its Certificate of Incorporation with the Secretary of State of Delaware to reduce its authorized shares of: (i) Class A common stock was reduced from 35,000,000 shares to 6,000,000 shares (300,000 shares after giving effect to the Reverse Split); (ii) Class B common stock was reduced from 65,000,000 shares to 12,000,000 shares (600,000 shares after giving effect to the Reverse Split); (iii) Class C common stock was reduced from 15,000,000 shares to 2,500,000 shares (125,000 shares after giving effect to the Reverse Split); and (iv) Preferred Stock was reduced from 10,000,000 shares to 500,000 shares (25,000 shares after giving effect to the Reverse Split), each at a par value of \$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.

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.

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 January 7, 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 \$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, will be paid on or about January 28, 2014 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.

The Company paid cash dividends in the amount of \$1.20 per share (approximately \$500,000 each date, in the aggregate) on January 17, 2012, March 14, 2012, June 28, 2012 and October 12, 2012 to stockholders of record as of January 6, 2012, March 5, 2012, June 20, 2012 and September 24, 2012, respectively, of our Class A, Class B and Class C common stock.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 3—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 three months and fiscal years ended October 31, 2013 and October 31, 2012, there were no shares that were potentially dilutive. As a result basic earnings per share and diluted earnings per share were the same. Earnings per share are presented after giving effect to the Reverse Split for all periods presented.

Note 4—Equity

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

	Fiscal Year Ended October 31, 2013		
	Attributable to CTM Media Holdings, Inc.	Non-controlling Interests (in thousands)	Total
Balance, October 31, 2012	\$ 26,633	\$ 517	\$ 27,150
Stock based compensation	325	-	325
Stock based donation	180	-	180
Cash distributions	-	(755)	(755)
Cash dividends	(3,469)	-	(3,469)
Comprehensive income:			
Net income	2,243	935	3,178
Other comprehensive income	(49)	-	(49)
Total comprehensive income	2,194	935	3,129
Balance, October 31, 2013	<u>\$ 25,863</u>	<u>\$ 697</u>	<u>\$ 26,560</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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 4—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 Chairman and founder, 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 5—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 Line 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 October 31, 2013, no balance was outstanding under the line of credit.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 6—Business Segment Information

The Company has the following two reportable business segments: CTM and IDW. CTM consists of the Company's brochure and digital 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 October 31, 2013			
Revenues	\$ 5,285	\$ 5,294	\$ 10,579
Operating income	\$ 314	\$ 746	\$ 1,060
Depreciation and amortization	\$ 206	\$ 6	\$ 212
Total assets at October 31, 2013	\$ 24,949	\$ 10,706	\$ 35,655
Three months ended October 31, 2012			
Revenues	\$ 5,019	\$ 4,721	\$ 9,740
Operating income (loss)	\$ 551	\$ 528	\$ 1,079
Depreciation and amortization	\$ 218	\$ 5	\$ 223
Total assets at October 31, 2012	\$ 24,788	\$ 7,493	\$ 32,281
Fiscal Year ended October 31, 2013			
Revenues	\$ 18,809	\$ 22,832	\$ 41,641
Operating income (loss)	\$ 573	\$ 4,005	\$ 4,578
Depreciation and amortization	\$ 990	\$ 22	\$ 1,012
Total assets at October 31, 2013	\$ 24,949	\$ 10,706	\$ 35,655
Fiscal Year ended October 31, 2012			
Revenues	\$ 18,350	\$ 17,290	\$ 35,640
Operating income (loss)	\$ 720	\$ 2,187	\$ 2,907
Depreciation and amortization	\$ 835	\$ 21	\$ 856
Total assets at October 31, 2012	\$ 24,788	\$ 7,493	\$ 32,281

Note 7—Provision for Income Taxes

Income tax expense increased for the three months and fiscal year ended October 31, 2013 compared to 2012 by approximately \$141,000 and \$13,427,000, respectively. The increase for the three months ended October 31, 2013 compared to 2012 is primarily due to an increase in taxable income. The increase for the fiscal year ended October 31, 2013 when compared to October 31, 2012 is due to the fact that in fiscal 2012 management of the Company determined that the valuation allowance associated with the deferred tax asset was no longer necessary and, consequently, recognized the full value of its deferred tax assets by the release the associated valuation allowance.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 8—Trade Accounts Receivable

Trade accounts receivable consists of the following:

October 31 (in thousands)	2013	2012
Trade accounts receivable	\$ 3,678	\$ 3,297
Less allowance for sales returns	(202)	(216)
Less allowance for doubtful accounts	(88)	(110)
Trade accounts receivable, net	\$ 3,388	\$ 2,971

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.

Note 9—Accrued Expenses

Accrued expenses consists of the following:

October 31 (in thousands)	2013	2012
Royalty	\$ 222	\$ 227
Payroll & payroll taxes	1,596	529
Bonus	1,578	338
Other	729	539
Total	\$ 4,125	\$ 1,633

Note 10—Property and Equipment

Property and equipment consists of the following:

October 31 (in thousands)	2013	2012
Equipment	\$ 7,804	\$ 7,393
Vehicles	2,555	2,600
Leasehold improvements	305	305
Computer software	1,064	1,025
	11,728	11,323
Less accumulated depreciation and amortization	(9,541)	(8,852)
Property and equipment, net	\$ 2,187	\$ 2,471

Property and equipment under capital leases were \$1,751,000 and \$1,683,000 at October 31, 2013 and 2012, respectively. The accumulated depreciation related to these assets under capital leases was \$1,312,000 and \$1,040,000 at October 31, 2013 and 2012, 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 \$1,011,000 and \$856,000 in fiscal 2013 and 2012, respectively.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 11— Intangible Assets

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 October 31, 2013:				
Amortized intangible assets:				
Customer lists	5 years	\$ 25	\$ (25)	\$ —
Non-compete covenant	3 years	45	(39)	6
Total intangible assets		<u>\$ 70</u>	<u>\$ (64)</u>	<u>\$ 6</u>
As of October 31, 2012:				
Amortized intangible assets:				
Customer lists	5 years	\$ 25	\$ (25)	\$ —
Non-compete covenant intangible assets	3 years	45	(26)	19
Total intangible assets		<u>\$ 70</u>	<u>\$ (51)</u>	<u>\$ 19</u>

Amortization expense of licenses and other intangible assets was \$15,000 and \$16,000 in fiscal 2013 and 2012, respectively.

Note 12—Income Taxes

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

Fiscal Year Ended October 31 (in thousands)	2013	2012
Deferred tax assets:		
Bad debt reserve	\$ 35	\$ 51
Accrued expenses	263	157
Exercise of stock options and lapsing of restrictions on restricted stock	(829)	(27)
Impairment	12,610	12,609
Net operating loss	1,047	1,122
Total deferred tax assets	<u>13,126</u>	<u>13,912</u>
Valuation allowance	—	—
NET DEFERRED TAX ASSETS	<u>\$ 13,126</u>	<u>\$ 13,912</u>

The provision for income taxes consists of the following:

Fiscal Year ended October 31 (in thousands)	2013	2012
Current:		
Federal	\$ 558	\$ 855
State and local	151	(136)
Foreign	(32)	(28)
	<u>\$ 677</u>	<u>\$ 691</u>
Deferred:		
Federal	\$ 656	\$ (10,219)
State and local	130	(2,436)
	<u>\$ 786</u>	<u>\$ (12,655)</u>
Provision for (benefit from) income taxes	<u>\$ 1,463</u>	<u>\$ (11,964)</u>

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 12—Income Taxes (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 October 31 (in thousands)	2013	2012
U.S. federal income tax at statutory rate	\$ 1,297	\$ 1,045
Change in valuation allowance	-	(12,977)
Foreign tax rate differential	13	37
State and local income tax, net of federal benefit	153	(88)
Other	-	19
PROVISION FOR INCOME TAXES	\$ 1,463	\$ (11,964)

At October 31, 2013, the Company had federal and state net operating loss carry-forwards of approximately \$2,992,000. 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 would be realized based on its income from continuing operations in the United States in fiscal 2012 combined with projections of taxable income for the foreseeable future. Therefore, the Company reversed \$12,694,000 of its valuation allowance in fiscal 2012.

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 \$1,107,000 at October 31, 2013. 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:

Fiscal Year ended October 31 (in thousands)	2013	2012
Balance at the beginning of the year (excludes interest)	\$ -	\$ 340
Additions based on tax positions related to the current year	-	-
Additions for tax positions of prior years	-	-
Reductions for tax positions of prior years	-	-
Settlements	-	-
Lapses of statutes of limitations	-	(340)
Balance at the end of the year	\$ -	\$ -

The Company classifies interest and penalties on income taxes as a component of income tax expense. In fiscal 2013 and fiscal 2012, the Company recorded no additional interest expense in either year. As of October 31, 2013 and 2012, accrued interest expense included in current income taxes payable was \$0 in both years.

The Company currently remains subject to examinations of its tax returns as follows: U.S. federal tax returns for fiscal 2009 to fiscal 2013, state and local tax returns generally for fiscal 2009 to fiscal 2013 and foreign tax returns generally for fiscal 2008 to fiscal 2013.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 13— 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 consolidated financial statements.

Note 14—Commitments and Contingencies

Legal Proceedings

None.

Lease Commitments

The future minimum payments for capital and operating leases as of October 31, 2013 are as follows:

(in thousands)	Operating Leases	Capital Leases
Year ending October 31:		
2014	\$ 1,081	\$ 209
2015	822	181
2016	662	136
2017	491	108
2018	337	26
Thereafter	57	3
Total payments	<u>\$ 3,450</u>	663
Less amount representing interest		(6)
Less current portion principal		(206)
Capital lease obligations—long-term portion principal		<u>\$ 451</u>

Rental expense under operating leases was \$1,173,000 in fiscal 2013 and \$1,134,000 in fiscal 2012.

CTM MEDIA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2013 AND 2012

Note 15—Related Party Transactions

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. The Company advanced \$1,035,000 to Mr. Jonas to satisfy the income taxes due on the transaction. Mr. Jonas repaid the Company on December 31, 2013.

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 2013, CTM billed ETR Brochures, Inc. approximately \$2,000 for distribution services and ETR Brochures, Inc. billed CTM approximately \$92,000 for distribution services. In fiscal 2012, CTM billed ETR Brochures, Inc. approximately \$7,000 for distribution services and ETR Brochures, Inc. billed CTM approximately \$72,000 for distribution services. The balance owed to ETR Brochures, Inc. by CTM was approximately \$5,000 and \$4,000 as of October 31, 2013 and 2012, respectively. The balance owed by ETR Brochures, Inc. to CTM was approximately \$1,000 and \$1,000 as of October 31, 2013 and 2012, respectively. These transactions were approved in accordance with Related Person Transaction policy described in the Company's 2010 Proxy Statement. The Company intends for the relationship between CTM and ETR Brochures, Inc. to continue in the future.

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) non-profit corporation. 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. There were no balances outstanding between the Company and the Foundation as of October 31, 2013 and 2012.

Note 16—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 \$27,000 and \$28,000 for 401(k) matching for the three months ended October 31, 2013 and October 31, 2012, respectively, and approximately \$87,000 and \$87,000 for the fiscal years ended October 31, 2013 and 2012, respectively.

Note 17— Subsequent events

Management has evaluated subsequent events through January 29, 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 consolidated financial statements other than as follows:

On January 7, 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 \$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, will be paid on or about January 28, 2014 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 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.

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: January 29, 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: January 29, 2014

/s/ Leslie B. Rozner

Chief Financial Officer