ICTC GROUP, INC.

Description of Business,

Management's Discussion and Analysis of Operations, and

Audited Financial Statements

2014

ICTC Group, Inc. is not required to file an Annual Report on Form 10-K with the United States Securities and Exchange Commission. In lieu thereof, ICTC Group, Inc. is providing its shareholders and the financial community with the enclosed information, financial data and analysis.

ICTC GROUP, INC.
556 Main Street
Nome, ND 58063

June 16, 2014

To Our Shareholders:

The Annual Report for 2013 of (y)our Company is enclosed. The year was a challenging time for us, as noted in my letter to you of November 14, but we prepared the groundwork for significant advances in our performance for 2014 and beyond!

Let me briefly review some of our principal performance measurements for 2013. We increased our broadband lines (provided by digital subscriber line, or "DSL", technology) from 940 to 946, even without implementation of our new fiber optic facilities discussed below. We also increased the proportion of our total revenue which is generated by Internet services to 14%, and by high-bandwidth facility leases to 13%. Our total operating revenues fell by 5.5%, from approximately $4.1 million to $3.9 million, reflecting a $0.3 million decrease in regulated revenues. We are currently expecting regulated revenues to stabilize or slightly improve in 2014. Total operating expenses, reflecting their relatively fixed nature, increased by 1%, from approximately $3.3 million to $3.4 million. In 2014, we are reevaluating all our costs and expenses, and expect to achieve an overall reduction.

Our earnings before interest, taxes, depreciation and amortization ("EBITDA"), which is a measure of financial performance that we believe helps to evaluate our operating performance, declined to approximately $1.2 million in 2013 from $1.5 in 2012. Our net income fell from $833 thousand to $733 thousand and our earnings fell to $1.81 per share from $2.47 per share, reflecting 80,000 shares bought by CIBL, Inc. in late 2012.

At December 31, 2013, we had $2.5 million in cash and $2.6 million in debt, mostly due in 2022. Our liquidity has us well positioned to fund strategic growth initiatives.

Although our overall financial position and liquidity are strong, we are keenly aware that we must improve our financial performance in 2014. We expect to accomplish this through both a rigorous discipline in controlling our costs, particularly our corporate operations costs, and growing our operating revenues.

To that end, in 2013 we completed the construction of fiber optic cables to serve the communities of Hope, Sanborn and Tower City, This project, which was funded by a stimulus grant under the American Recovery and Reinvestment Act, enables us to bring state-of-the-art fiber facilities into the homes and businesses of each of our customers in these towns The process of installing our new switch to operate with these fiber facilities is currently anticipated to be finished in June 2014. Accordingly, we plan to begin the broad-based activation of customers on these new fiber facilities by midyear. We are also planning to focus our 2014 capital expenditures on the construction of additional fiber facilities. This will bring fiber closer to many of our customers and increase the speed, reliability and efficiency of the broadband services we deliver.

We plan to again canvass, by means of door-to-door visits, a broad and representative cross-section of our telephone company customers, to make sure that we know what they need and want, and that they know all of the services which we can offer. We expect that this project will enable us to significantly enhance our marketing and sales efforts in our telephone company service territory.

In addition, we have applied for a franchise from the municipal government of Valley City, where our subsidiary Valley Communications, Inc. operates as a competitive local exchange carrier, or "CLEC". We currently provide wireless services in Valley City and also have a fiber optic "backbone" network throughout the Valley City business district. We now serve a number of customers in Valley City, with both wireless and fiber facilities, but a franchise agreement would permit us to greatly expand our marketing and sales efforts there.

On behalf of the Board of Directors and each of our employees, I want to thank you for your interest and investment in the Company. One of the benefits of a company our size is that I have been able to meet and speak with every single one of our people, who after all are what we really mean when we say "Company." That has been a heartening experience, and I can assure you of the commitment and competence of our people as they go about the jobs that make the Company work.

Very truly yours,

Thomas J. Hearity
Chairman and Chief Executive Officer

DESCRIPTION OF BUSINESS

BACKGROUND AND HISTORY OF ICTC GROUP, INC.

ICTC Group, Inc. (the "Company" or "ICTC"), formerly Sunshine PCS Corporation, was incorporated in 2000 to hold and develop three 1.9 Ghz PCS licenses covering approximately 960,000 people in the Florida cities of Tallahassee, Panama City, and Ocala. In 2003, these licenses were sold to Cingular Wireless LLC (now AT&T). From 2003 until March 2010, the Company was a holding company that was deemed a shell company under SEC rules. In March of 2010, the Company issued 320,000 shares of Class A Common Stock to a subsidiary of LICT Corporation ("LICT") to acquire LICT's North Dakota operations. On May 24, 2010, LICT distributed 315,700 shares of the Class A Common Stock it received to its shareholders. On that date, the Company also changed its name to ICTC Group, Inc.

ICTC is a holding company for Lynch Telephone II, LLC, which in turn serves as a holding company for our two operating subsidiaries: Inter-Community Telephone Company, LLC ("Inter-Community") and Valley Communications, Inc. ("Valley"). Inter-Community is an independent rural local exchange carrier ("RLEC") serving communities in southeastern North Dakota and providing regulated telephone service. Valley is a competitive local exchange carrier ("CLEC") that provides internet, broadband data and other non-regulated services.

The Company's shares are quoted on OTC Pink ® under the symbol "ICTG". ICTC's executive offices are located at 556 Main Street, Nome, North Dakota 58062. Its telephone number is 701-924-1000 and its website is http://ictcgroup.net/.

OPERATIONS

Organization and Locations. The Company provides local telephone services through Inter-Community, which was organized in North Dakota on July 9, 1947, and has provided telephone and related services there continuously for over sixty years. Inter-Community serves a total of approximately 1,850 telephone access lines, of which approximately 1,225 are residential and 625 are business lines as of December 31, 2013. Inter-Community's revenues in 2013 were approximately $3.044 million. The Company's headquarters are located in Nome, ND and its service territory covers approximately 1,760 square miles, in the counties of Barnes, Cass, Griggs, Ransom and Steele in southeastern North Dakota. Within this area, Inter-Community has nine exchanges located in the communities of Alice, Buffalo/Wheatland, Dazey, Hannaford, Hope, Nome/Fingal, Page, Sanborn/Rogers, and Tower City. These small communities are primarily residential and are not densely populated.

The Company provides non-regulated services, most significantly its CLEC and internet operations, through Valley which was organized on May 21, 1998 and provides broadband services in the form of internet access. Valley serves approximately 1,010 customers in Inter-Community's service area and in Valley City, ND, through both wire line and unlicensed wireless facilities. Valley's revenue in 2013 was approximately $809,000. ICTC intends to continue to develop Valley's CLEC business.

Products and Services. The principal business of the Company is to provide telecommunications services, related both to voice and data communication. These services fall into the following major categories:

Local network services. The Company provides telephone wireline access services to residential and business customers in its service area. We provide our local network customers a number of calling features including call forwarding, conference calling, caller identification, voicemail and call waiting. In addition, the Company provides broadband service, primarily by means of DSL technology, but with increasing use of fiber optic technology, to both business and residential users. The Company is continuing to invest in fiber optic cable to expand the broadband capacities of its network.

Network access and transport services. Inter-Community offers network access to long-distance companies, allowing them to originate or terminate intrastate and interstate communications on our network. Interstate access compensation is based on tariffs filed with the Federal Communications Commission ("FCC"). In 2011, the FCC Order (as described below) required the reduction of terminating intrastate rates to interstate rate levels during 2012 and 2013, in addition to reducing terminating interstate and intrastate rates to zero by 2020. Currently our intrastate access revenues are based on intrastate access rates filed with the North Dakota Public Service Commission ("NDPSC"). Inter-Community is compensated for its intrastate costs through billing and keeping intrastate access charge revenues (i.e., there is no intrastate access revenue pool.)

Inter-Community offers network transport services to wholesale customers for their use in connecting end users to the interexchange networks of the wholesale customer. These network transport services include special access services, which are primarily DS-1 and DS-3 services, and high speed digital services, which are primarily Ethernet-based services provisioned over fiber optic and copper facilities.

Non-Regulated Services. Valley provides wireless and wireline internet access services to business and residential customers in addition to leasing facilities to other companies.

The following table summarizes certain information concerning the Company's operations:

	Years ended December 31	
	2013	2012
Operations:		
Voice Access Lines	1,850	1,915
% Residential	66%	67%
% Business	34%	33%
DSL Lines	946	940
% Residential	83%	81%
% Business	17%	19%
Internet subscribers (DSL, Wireless and Dial-up)	1,010	1,025
Total Revenues		
Local Service	12%	14%
Network Access and USF	60%	59%
Internet	14%	13%
Facility leases	13%	12%
Miscellaneous	1%	3%
	100%	100%

National Exchange Carrier Association. For interstate services, Inter-Community participates in the National Exchange Carrier Association ("NECA") common line ("CL") and traffic sensitive ("TS") tariffs and access revenue pools. The NECA revenue pools are intended to compensate RLECs, such as Inter-Community, for the costs of facilities utilized in originating and terminating interstate long distance services, including a reasonable rate-of-return.

Although Inter-Community bills interstate access charges when an interstate long-distance call is originated by a customer in one of our exchanges, or when such a call is terminated to a customer in one of our exchanges, those interstate access revenues are remitted to the NECA pool. The Company also generates and remits interstate access revenue to the NECA pool when an IXC orders special access to connect interexchange private line services for its customers. Inter-Community bills interstate access charges in the same manner as it bills intrastate access charges; however, interstate access charges are tariffed by NECA on behalf of the NECA pools and are regulated by the FCC, not a state regulatory agency. Inter-Community remits the interstate access revenues to NECA and receives from NECA its cost-based interstate revenue requirement derived from FCC rules, including cost limitations.

Inter-Community determines its interstate revenues through cost studies of the Company's own interstate costs. Interstate access revenue for rate-of-return carriers such as Inter-Community is based on an FCC regulated rate-of-return, currently authorized at up to 11.25% on investment, and recovery of operating expenses related to interstate access. The FCC rules mandate that the CL pool earn the authorized rate-of-return, after all true-ups are completed; however, the TS pool does not have that provision. Rather, the NECA TS pool earns whatever rate-of-return the tariff rates

produce given the actual demand during the year and based on the actual costs of the RLECs participating in the TS pool. For 2013, the TS pool did not achieve the authorized rate-of-return, resulting in reduced interstate earnings for Inter-Community.

As a cost-based RLEC, the Company receives the High Cost Loop Support ("HCLS") portion of the Universal Service Fund ("USF") based on the cost of providing the local loop connections to our customers compared to the national average cost per loop ("NACPL"). HCLS payments fluctuate based upon Inter-Community's average cost per loop compared to the NACPL. For example, if the NACPL increases and the Company's average cost per loop remains constant or decreases, the Company's HCLS will decline.

REGULATORY ENVIRONMENT AND COMPETITIVE DEVELOPMENTS

Federal and State Regulation. Inter-Community and Valley are subject to federal and state regulatory jurisdictions. Inter-Community is regulated by the FCC for interstate telecommunications services and to a very limited extent by the NDPSC for intrastate telecommunications services. It is also subject to local government regulation and franchise requirements, in some cases, such as regarding the use of local streets and rights of way. The FCC and the state authorities do not regulate all providers that come under their jurisdiction in the same way. Incumbent Local Exchange Carriers ("ILECs") typically remain more highly regulated than CLECs, like Valley, which are also providing telecommunications services. However, under North Dakota law, the NDPSC does not generally regulate telephone companies that serve less than 7,000 access lines, and as noted above Inter-Community serves some 1,850 lines.

The Federal Universal Service Fund ("USF"). USF was originally established in 1934 to overcome geographic differences in costs of providing voice service and to enable all citizens to communicate over networks regardless of geographical location and/or personal income. The FCC subsequently modified the universal service policies at the national level under terms contained in the Telecommunications Act of 1996 ("Telecom Act"). The Telecom Act requires explicit USF mechanisms and enlarged the scope of universal service to include high-cost and low-income subscribers, rural health care providers and school and library programs. The program that has the most impact on the Company is the high cost program. The high-cost program provides support for companies operating in high-cost areas to ensure they are able to provide telephone service at reasonable rates. USF high-cost payments are distributed by NECA and are only available to carriers that have been designated as an eligible telecommunications carrier ("ETC"). Inter-Community has been designated as an ETC. Inter-Community must certify annually to the United States Administrative Company ("USAC", which assists the FCC in administering USF) that the USF funds it receives are being used in the manner intended.

National Broadband Plan. On March 16, 2010, the FCC released the National Broadband Plan ("NBP") in response to a Congressional mandate contained in the American Recovery and Reinvestment Act of 2009 (the "ARRA"). The purpose of the NBP was not to make any immediate or actual changes in the FCC's existing regulations, but rather to lay out a plan for the FCC's regulatory approach over the coming decade. The basic goal of the NBP is to expand the geographic availability and increase the bandwidth capacities provided to end users. These efforts have overall goals of making a minimum download speed of 4 Mbps and upload speed of 1 Mbps available to every household and business in the nation, and making 100 Mbps service available to at least 100 million households in the next ten years.

One of the policy recommendations the NBP contains is to shift from USF support to the new Connect America Fund ("CAF"). The intent of the CAF is to bring affordable high-speed broadband services to all Americans. The NBP also states certain guiding principles to foster competition in broadband, telephone, wireless and cable services over the next decade, and includes recommendations related to USF reform, intercarrier compensation, cable set-top boxes and spectrum reallocation, among others.

Intercarrier Compensation and USF Reform. In November 2011, the FCC issued an Order (the "FCC Order") which made significant modifications to intercarrier compensation ("ICC") and the USF, including rules revising all forms of intercarrier compensation, gradually phasing down these charges, and implementing a new support mechanism for the deployment of broadband. The ICC reform provides a path to a "bill and keep" arrangement by July 1, 2020, under which there will be no compensation for termination of traffic received from another carrier. The timeline for this transition has numerous steps depending on the type of traffic exchanged and the regulated status of the affected local exchange carrier.

In the FCC Order, the FCC replaced all existing USF for price cap carriers with its CAF. The FCC Order also fundamentally reforms the ICC system that governs how communications companies bill one another for handling traffic, gradually phasing down these charges. Together, the modifications to the CAF and ICC rules are intended to benefit consumers and promote the goals of the NBP by overhauling these two complex systems to support broadband deployment as cost-effectively as possible. In April 2014, the FCC again announced that it would be modifying portions of the USF and ICC mechanisms but has not yet provided the actual terms of the modifications. Currently, the impact, if any, on Inter-Community of these latest modifications cannot be predicted with any assurance.

Due to the numerous other potential changes impacting carriers such as Inter-Community, it is not possible to determine the impact that ICC and USF reforms will have on the Company's future revenues at this time. The ICC and USF programs generate, on a combined basis, approximately 60% of the Company's revenues. We expect the FCC Order to cause a reduction in ICC over the next several years and it may have a negative impact on our total regulated revenues. However, it is expected that the Company will be able to replace a substantial portion of any ICC revenue reduction with other support mechanisms and end user charges. The Company will continue to monitor these regulatory matters, participate in them as it deems appropriate, assess the potential impact on its consolidated financial position and results of operations, and respond as effectively as possible.

Voice over Internet Protocol ("VoIP"). Inter-Community has no direct wireline competition in its regulated RLEC footprint at the present time. However, competition from wireless and VoIP are continuing to increase. (Inter-Community customers can use VOIP over our non-regulated DSL lines.) As described above, in some instances the regulatory environment for RLEC operations is becoming less supportive than has historically been the case, and this may enhance the competitive impact of VoIP. The focus of the NBP on broadband Internet technology may exacerbate this trend. Moreover, VoIP usage is increasing as both a transport facility between switching centers and as a means to serve the end user's voice telephone needs. As a transport facility, VoIP is expected to decrease the overall cost of transport in the long run and the Company is analyzing whether it could use VoIP for transport cost-effectively. As to end users, the FCC has ruled that interexchange carriers ("IXCs") must pay access charges to carriers like Inter-Community on VoIP usage. However, the ICC changes resulting from implementation of the CAF froze the switched terminating access revenues, including for VoIP, for both the interstate and intrastate jurisdictions and is phasing down those revenues by 5% per year. Thus our revenue from VoIP access charges will decrease in the future.

VoIP traffic is typically low-priced or even free to end users, although it requires the use of a broadband service such as DSL or cable modem. Obviously, however, if the end user purchases the broadband service from a competitor, such as a cable or wireless broadband company, the Company loses all revenue associated with the customer switching to VoIP. It is not possible to determine the potential lost revenue from calls that are handled by VoIP rather than the public switched network. This is similar to revenue losses due to wireless usage where minutes of use are being removed from the Company's switching platform to the wireless carrier's switch, thus reducing the Company's access revenues.

In addition to VoIP, competition in the telecommunications industry is increasing across the board. Competition in the Company's wireline telecommunications markets is becoming more significant in the areas closest to larger towns. Inter-Community has historically been the only wireline provider in its respective areas for local telephone exchange service, but it now experiences some competition from long distance carriers; from cable companies and Internet service providers with respect to Internet access; from cable telephony; and from wireless carriers. Competition is resulting in a continuing loss of access lines and minutes of use, and in the conversion of retail lines to wholesale lines, which negatively affects revenues and margins from those lines. Competition also puts pressure on the prices the Company is able to charge for some services, particularly for some non-residential services. The total number of competitors is difficult to estimate since many of the companies do not have a local presence, but instead compete for services via the Internet using VoIP or through wireless operations.

Increased competition from VoIP and wireless services could have a substantial detrimental impact on our future revenues and creates additional uncertainty for the Company. It is not possible to predict with any assurance the extent to which these complementary or substitutable services may ultimately impact the Company's revenues. The Company will continue to monitor these matters, participate in related regulatory proceedings as it deems appropriate, assess the potential impact on its consolidated financial position and results of operations, and respond as effectively as possible.

INVESTMENTS

The Company holds minority interests (less than 50% owned) in several investments that are described below.

Dakota Carrier Network, LLC. Inter-Community has a 3.43% ownership interest in Dakota Carrier Network, LLC ("DCN"), a statewide telecommunications system comprised primarily of fiber optic facilities and owned by Inter-Community and fourteen other North Dakota RLECs. DCN provides a broad range of services to its RLEC owners and other customers, including data, voice and video transport; Signaling System 7 ("SS-7"); and data storage. DCN is a member of Indatel, a nationwide association of twenty-three statewide fiber networks owned by RLECs within each of the states involved.

Inter-Community's investment in DCN is accounted for using the equity method. Inter-Community's proportionate share of earnings was $425,297 for the year ended December 31, 2013 and $443,535 for the year ended December 31, 2012. Inter-Community's proportionate share of the book value of DCN was $1,645,569 at December 31, 2013 as compared to $1,486,392 at December 31, 2012. Inter-Community received $266,120 and $226,476 in cash distributions from DCN in 2013 and 2012, respectively.

Cellular Telephone Interests. Inter-Community owns stock in two corporations with minority interests in partnerships that provide wireless cellular telephone service in Rural Service Area ("RSA") #3 and RSA #5 in North Dakota. These RSAs cover areas with a total population of approximately 100,000. Verizon Wireless is the operating general partner in these entities. These RSAs are accounted for on a cost basis. Dividends received from the cellular investments were approximately $192,000 and $200,000 in 2013 and 2012, respectively.

OTHER ITEMS

- **Real Estate Properties.** The Company's real estate properties consist of a total of twelve acres of land at ten separate sites, most of which are small installations used to house switches. ICTC's principal holding is its main office at Nome, ND, which contains 4,326 square feet of office and storage space. In addition, ICTC has 4,400 square feet of garage space and a total of 5,035 square feet utilized for its switching facilities.

- **Network.** Inter-Community owns and provides its services over 1,660 miles of copper cable and 334 miles of fiber optic cable, using nine switches located throughout its service territory.

- **Other Patents, Licenses, Franchises.** While the Company holds other licenses of various types, it does not believe they are significant to the focus of its basic business and ongoing operations, which are its RLEC complemented by its CLEC operations.

- **Environmental Compliance.** The capital expenditures, earnings and competitive position of the Company have not been materially affected by compliance with current federal, state and local laws and regulations relating to the protection of the environment. However, we cannot predict the effect of future laws and regulations on our environmental compliance or the costs thereof.

- **Seasonality.** No portion of the business of the Company is regarded as seasonal at a significant level.

- **Dependence on Particular Customers.** The Company does not believe that its business is dependent on any single customer or group of customers for local telephone or other service. However, most RLECs, including Inter-Community, receive a significant amount of revenues in the form of access fees from IXCs. Bankruptcy of a significant IXC, or of several IXCs in the same period, could have a material adverse effect on the Company. We cannot predict which, if any, IXCs or other significant customers may go bankrupt in the future.

- ***Government Contracts.*** In some instances, Inter-Community provides service to the government under tariff and/or special contracts. Inter-Community's government contracts are not material to its operations as a whole and the elimination of those contracts would not significantly impact its operations or financial results.

- **Employees.** The Company had a total of 14 employees at December 31, 2013 including the subsidiaries' Chief Executive Officer, a Controller, an Operations Manager, a Marketing Manager, two full-time Customer Service Representatives, and eight full-time

Plant Technicians, as compared to 13 employees at December 31, 2012. None of our employees is represented by a labor organization or under any collective bargaining agreements. Our relationships with our employees are good.

RECENT EVENTS

On November 20, 2012, we sold, in a private sale, 80,000 shares of our Class A common stock, constituting approximately 20% of the issued and outstanding shares of our Class A common stock, to CIBL, Inc., a Delaware corporation ("CIBL"), for an aggregate offering price of $1.76 million, pursuant to the terms of a stock purchase agreement. On December 26, 2012, CIBL purchased an additional 81,552 shares of our Class A common stock pursuant to a previously commenced tender offer, for an aggregate purchase price of approximately $1.8 million, excluding fees and expenses related to the offer, bringing CIBL's aggregate ownership to approximately 40% of our issued and outstanding shares of Class A common stock. On April 15, 2013, the Company received notice from CIBL that CIBL had acquired the right to vote an additional 46,000 shares of our Class A common stock pursuant to a voting agreement with MJG-IV LP, a partnership of which Mr. Mario J. Gabelli is the general partner. CIBL has also purchased additional shares of the Company on the open market. As a result, CIBL now controls approximately 52% of the voting power of our outstanding common stock. (See Risk Factors).

LEGAL PROCEEDINGS

From time to time, we are involved in litigation and regulatory proceedings arising out of our operations. As noted above, the Company is currently an applicant for a franchise from the city of Valley City, but is not party to any other material legal proceedings at this time.

RISK FACTORS

In addition to the risks noted above, any of the following risks could materially adversely affect our business, consolidated financial condition, results of operations or liquidity, or the market price of our common stock. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also material and adversely affect our business operations.

Risks Related to our Business

The Company's management and other employees are not under contractual or other obligation to remain in their employment.

The Company has executive officers and craft employees (e.g., outside plant technicians, central office engineers, etc.) who are responsible for its day-to-day management and operation, but who are not contractually or otherwise obligated to continue in their employment with the Company. Most of the Company's current management team and other employees have been in place for a number of years, but these persons are not bound by employment contracts and may leave their current positions at any time without further obligation to the Company. If that were to occur, the Company would attempt to recruit replacement management and craft personnel with appropriate

qualifications to meet its needs. However, it is not certain that the Company would be able to acquire experienced management or craft employees on favorable terms or in a timely fashion, if its current managers or employees decided to resign.

The Company receives a portion of its income from distributions by entities in which it holds minority interests.

The Company has minority investments and partnership interests in various entities from which it receives equity income. Any distributions from such entities (in the form of dividends or otherwise) will be made at the discretion of the general partner or majority interest holder of each such entity. Although these distributions comprise a relatively small portion of the Company's combined revenues and other income (approximately 4 - 5%), the Company may use such distributions to help meet its financial obligations generally and to help pay dividends, if it ultimately decides to pay dividends, on its common stock. If these distributions are decreased or terminated, it may be more difficult for the Company to meet its financial obligations and/or to pay dividends, if any, on its common stock.

The Company's businesses are subject to competition that may adversely impact them.

The markets for the telephone and related communications services which comprise the Company's businesses are highly competitive in densely-populated areas and that competition has been expanding into rural areas, including the areas served by the Company. Moreover, regulation and technological innovation can bring change quickly in the communications industry. These factors historically have had, and may in the future have, a significant and unpredictable impact on the competitive dynamics in each of the geographic and product/service markets where the Company operates or has interests. The Company faces competition from cellular telephone companies for voice service and this competition may soon expand to Internet access and other broadband services. Inter-Community also faces competition for Internet access services from cable television operations. Inter-Community expects that competition from each of these sources, as well as from new competitors, will expand and intensify in the future.

Some of Inter-Community's competitors have brand recognition and financial, personnel, marketing and other resources that are much more extensive than those of Inter-Community. In addition, consolidation and strategic alliances within the communications industry or the development of new technologies could adversely affect Inter-Community's competitive position. The Company cannot predict the number, type or capabilities of competitors that will emerge, whether as a result of existing or new technologies, or from federal and state regulatory or legislative actions. However, increased competition from existing and new entities is very likely and could have a materially adverse effect on the Company's businesses.

ICTC may not be able to successfully integrate new technologies, respond effectively to customer requirements, or provide new services.

The communications industry in general, and the RLEC and CLEC segments where the Company operates in particular, are subject to rapid and significant changes in technology, frequent new service introductions and evolving industry standards. The Company cannot predict the effect of these changes on its competitive position or profitability. Technological developments may reduce its competitiveness and require unbudgeted upgrades or the procurement of additional products. These developments could be expensive as well as time-consuming and difficult to implement. In addition, new products and services arising out of technological and/or market evolution may reduce the attractiveness of the services the Company currently provides. If the Company fails to adapt successfully to technological changes or obsolescence, or fails to respond successfully to changes in the marketplace, its results could suffer.

The Company may have difficulty raising additional capital to meet its business objectives.

Inter-Community may need additional capital to meet its business objectives and develop its operations. Such additional capital may need to be in the form of debt, and Inter-Community may not be able to borrow or to raise sufficient additional capital at all or on terms that it considers acceptable. The inability to raise capital as needed or on favorable terms could adversely affect Inter-Community's existing operations and its ability to expand or otherwise develop its businesses.

A system failure could cause delays or interruptions of Inter-Community's communications services, which could cause Inter-Community to lose customers.

To be successful, Inter-Community's communications operations must continue to provide their customers reliable service. Some of the risks to the reliability of those services include:

- Physical damage to communication lines, switches or other facilities;
- Power surges or outages;
- Software and hardware defects; and
- Other environmental disruptions beyond the Company's control.

These and other events may cause interruptions or delays in service, or reduced capacity to serve customers, either of which could cause Inter-Community to lose customers and/or incur expenses. Inter-Community's competitive position could also be adversely affected by such disruptions or delays.

Risks Related to Our Regulatory Environment

We are subject to significant regulations that could change in a manner adverse to us.

The Company operates in a heavily regulated industry and the majority of its revenues are supported by regulations, including access revenue and USF support for the provision of telephone services in rural areas. As discussed above, the FCC Order, as well as the NBP, could ultimately effect fundamental changes in the financial structure and characteristics of the telecommunications industry. Moreover, existing laws and regulations applicable to it and its competitors may be, and have been, challenged in the courts, and could be changed by Congress or regulators in a manner adverse to it. In addition, any of the following have the potential to have a significant impact on the Company:

- *Risk of loss or reduction of network access revenues*. A significant portion of the Company's revenues come from network access charges, which are paid to it by intrastate and interstate long distance carriers for originating and terminating calls and for providing special access services which connect carriers to their end users in our service areas. In past years, several long distance carriers have declared bankruptcy. Future declarations of bankruptcy by carriers that utilize the Company's access services could negatively impact its business, financial condition and results of operations. In addition, the amount of access charge revenues that it currently receives is based on rates set by federal and state regulatory bodies, and those rates are being impacted by the FCC Order as noted above. The FCC reforms of the federal and state access charge systems, combined with the development of competition, have caused the aggregate amount of access charges paid by long distance carriers to decrease. The significant changes in the access charge system, if not offset by a revenue replacement mechanism, could result in a significant decrease in the Company's revenues. Decreases in or loss of access charges may or may not result in

offsetting increases in local, or subscriber line, revenues. The FCC Order and regulatory developments of this type could adversely affect its business, financial condition and results of operations.

- *Risk of loss or reduction of USF support*. We receive USF payments, including CAF support, to help fund our operations. Any changes to the existing rules could reduce the USF revenues we receive. If we raise prices for services to offset losses of USF payments, the increased pricing of our services may disadvantage us competitively in the marketplace, resulting in additional potential revenue loss. Furthermore, changes in the rules and regulations governing the distribution of such support or the manner in which USF contributions are obtained or calculated could have a material adverse effect on our business, financial condition or results of operations.

- *Risk of loss of statutory exemption from burdensome interconnection rules imposed on incumbent local exchange carriers*. Inter-Community is exempt from the 1996 Act's more burdensome requirements governing the rights of competitors to interconnect to ILEC networks and to utilize discrete network elements of the ILEC's network at favorable rates. To the extent that state regulators may decide that some or all of these requirements should be imposed upon Inter-Community, we would be required to provide unbundled network elements to competitors in our service areas. As a result, more competitors could enter the Company's traditional telephone markets than are currently active there, which could have a material adverse effect on our business, financial condition and results of operations.

- *Risks posed by costs of regulatory compliance*. Regulations create significant compliance costs for the Company, and are expected to continue to do so. With regard to the provision of intrastate services, Inter-Community is subject to certification, tariff filing and other ongoing regulatory requirements by state regulators. Its interstate access services are currently provided in accordance with tariffs filed with the FCC by the National Exchange Carrier Association ("NECA"). Challenges in the future to NECA's tariffs by regulators or delays in the Company obtaining certifications and regulatory approvals could adversely affect the rates that it is able to charge its customers. We are also subject to audits by both federal and state regulatory authorities, which may be costly and burdensome and may result in fines, penalties, refunds or other unfavorable and burdensome requirements.

  The Company's business also may be impacted by legislation or regulations imposing new or greater obligations related to assisting law enforcement, bolstering homeland security, minimizing environmental impacts, protecting customer privacy or addressing other issues that impact our business. For example, existing provisions of the Communications Assistance for Law Enforcement Act ("CALEA") and FCC regulations implementing that legislation require communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance. It cannot predict whether or to what extent the FCC might modify its CALEA rules or any other rules, or what compliance with new rules might cost. Similarly, it cannot predict whether or to what extent federal or state legislators or regulators might impose new security, environmental or other obligations on its business.

- *Additional regulatory changes in the communications industry could adversely affect the Company's business by facilitating greater competition, reducing potential revenues or raising its costs*.

  The 1996 Act provides for significant, ongoing changes and increased competition in the telecommunications industry, including competition for local communications and long

distance services. This statute and the FCC's implementing additional regulations could be subjected to additional judicial review or affected by future rulings of the FCC, thus making it impossible to predict whether, on an ongoing basis, the legislation will have a material adverse effect on the Company's business, financial condition or results of operations. In addition to the implementation of the NBP and the FCC Order, other regulatory or judicial proceedings may address issues affecting our operations and those of our competitors. The Company cannot predict the timeframe or outcome of these developments, nor is there any assurance that these changes will not have a material adverse effect on it.

Risks Related to our Stock

We are currently controlled by CIBL, which may elect all of our Directors and determine the Company's actions and policies.

CIBL directly owns approximately 40% of our outstanding Class A common stock. Through a voting rights agreement with MJG-IV LP, a partnership of which Mr. Mario J. Gabelli is the general partner, CIBL acquired the right to vote an additional 46,000 shares of our outstanding Class A common stock. As a result, CIBL now controls approximately 52% of the voting power of our outstanding Class A common stock.

For as long as CIBL continues to control the power to vote more than a majority of the voting power of our shares of Class A common stock, CIBL will be able to direct the election of all of the members of our Board of Directors and exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional common stock or other equity securities, the repurchase or redemption of common stock and the payment of dividends. Similarly, CIBL will have the power to determine matters submitted to a vote of our stockholders without the consent of our other stockholders, will have the power to prevent a change in our control and could take other actions that might be favorable to it. The interests of CIBL may not always fully coincide with the interests of other stockholders, and CIBL may act in a manner that advances its own best interests. This possibility may affect the prevailing market price for our securities.

We do not currently plan to pay cash dividends.

The Company does not have any plan to pay cash dividends on its common stock. Whether the Company pays cash dividends in the future will be at the discretion of its board of directors and will be dependent upon its legal obligations, financial condition, results of operations, capital requirements, and any other factors that its board of directors decides are relevant

Our common stock lacks a significant trading market.

Our common stock is quoted on the over-the-counter market on the Pink Sheets. However, there is a limited trading market for our common stock at this time. There is no assurance that an active trading market in our common stock will develop, or if such a market develops, that it will be sustained. The Pink Sheets market is highly illiquid. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock or to obtain coverage for significant news events concerning us, and the common stock could become substantially less attractive for margin loans, for investment by financial institutions, as consideration in future capital raising transactions or for other purposes.

Future sales and issuances of our equity securities or rights to purchase our equity securities would result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be further diluted by subsequent sales. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to existing stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

The following discussion should be read in conjunction with the accompanying Consolidated Financial Statements of ICTC Group, Inc. for the years ended December 31, 2013 and 2012.

Overview

ICTC Group, Inc. ("ICTC" or the "Company"), formerly named Sunshine PCS Corporation, serves as a holding company for Lynch Telephone II, LLC ("Lynch II"), which in turn serves as a holding company for our operating subsidiaries: Inter-Community Telephone Company, LLC ("Inter-Community") and Valley Communications, Inc. ("Valley"). Inter-Community is an independent, rural local exchange carrier ("RLEC") serving a 1,760-square-mile area of southeastern North Dakota with regulated telephone and related services. Valley provides Internet and other non-regulated services. The Company operates in one business segment, telecommunications. The Company's primary services include local telephone service, long distance services, and broadband Internet services, in addition to providing network access services to other telecommunications carriers. Inter-Community is currently the sole wireline telephone services provider in the rural communities we serve. Valley also operates as a competitive local exchange carrier ("CLEC") serving customers in certain areas of southeastern North Dakota.

Inter-Community is also a member of Dakota Carrier Network, LLC ("DCN"). DCN provides broadband, Ethernet, ATM/frame relay and high-speed Internet, private line and other services over its advanced fiber network to customers throughout North Dakota. Inter-Community receives facility lease revenue from DCN for use of the Company's network to provide these services to business customers. Inter-Community also holds minority interests in two rural cellular partnerships operated by Verizon Wireless, from which it receives distributions.

The rural telecommunications industry in general and the Company's subsidiaries in particular face a number of economic and industry-wide issues and challenges. The following are the material opportunities, challenges and risks that the Company is currently focused on, as well as actions that are being taken to address them.

- Regulatory - The Telecommunications Act of 1996, the National Broadband Plan ("NBP") issued by the Federal Communications Commission ("FCC"), and other legislative and regulatory measures have had a significant impact on the industry and on RLECs in particular. We derive a substantial portion of our revenues from high cost support mechanisms approved by the FCC, which are referred to as the Universal Service Fund ("USF"). Our revenues and margins are largely dependent on the continuation and level of such support mechanisms.

- Competition – Access lines are an important element of Inter-Community's business. Over the past decade, RLECs such as Inter-Community have experienced a decline in access lines due to the effects of competition from other telecommunications providers, especially wireless carriers. In addition, customers have cancelled second lines as they have switched from dial-up to the Company's broadband digital subscriber line ("DSL") service.

- Loss of Access Revenues from wireless and VoIP usage – The Company is experiencing revenue losses as usage transfers from landline service provided by the Company's subsidiaries to either VoIP or wireless services. To offset revenue losses from traditional voice services, the Company's subsidiaries are providing more broadband services.

- The economy - Unemployment, building starts, business bankruptcies and the overall health of the economy can have a significant effect on demand for services. The economy in our service area remains strong but the area's population density is low.

- Market challenges – The Company's subsidiaries are required to comply with industry-wide initiatives, such as local number portability and the requirements of the Communications Assistance for Law Enforcement Act ("CALEA"), that are expensive to implement and that, in some cases, have limited demand in our markets.

Inter-Community generates cash and earns telecommunications revenues primarily from local network access, intrastate and interstate access revenue, interstate USF, facility leases, and broadband revenues. The Company's regulated telephone operations and corresponding revenues and operating expenses, although relatively stable period to period, are subject to increasing competitive pressures, which gradually reduce revenue and profitability. The Company continues to experience some growth in broadband revenues as a result of the transition by customers to high-speed Internet services. Revenues from leases of facilities continue to grow as well, primarily due to additional backhaul services provided to cellular tower sites. The Company is also evaluating other opportunities to increase revenues.

- Local Revenues - The number of access lines is the primary driver of local network access revenues. In addition, the ratio of business to residential lines, as well as the number of features subscribed to by customers, are secondary drivers.

- Intrastate access revenues - Customer usage, primarily based on minutes of use and the number of intrastate special access lines, are the primary drivers of intrastate access revenues.

- Interstate Access Revenues – We participate in both the common line and traffic sensitive National Exchange Carrier Association ("NECA") access pools. Interstate access revenues directly correlate to the rate-of-return on regulated interstate net investment earned by the NECA access pools, plus the interstate portion of regulated operating expenses including taxes.

- USF subsidies - The primary drivers of USF subsidies are investments in specific types of infrastructure, as well as certain operating expenses and taxes of the Company. Interstate USF subsidies are included in the interstate access revenue caption in the breakdown of revenue and operating expenses which follows.

- Internet, Facility and other revenue - ICTC also provides broadband services including Internet access (some by means of wireless facilities) and leases certain of its facilities to DCN.

With regard to regulatory developments, the FCC released an extensive order (the "FCC Order") in November 2011. The FCC Order made substantial changes in the way telecommunications carriers are compensated for serving high cost areas and by transitioning to a bill-and-keep mechanism for terminating access by 2020. Inter-Community serves a very high cost area and a substantial portion of its revenues are derived from federal USF mechanisms. Inter-Community began seeing an impact of the FCC Order in July 2012. The FCC Order reduced access revenue from intrastate calls by requiring that intrastate rates be reduced to interstate levels over time. A portion of this revenue loss is being replaced by revenue from the Connect America Fund ("CAF"). Inter-Community's revenues and net income are largely dependent on the continuation and level of such support mechanisms. On April 23, 2014, the FCC announced that it is further modifying the USF and ICC rules for carriers such as Inter-Community, but it has not yet provided the actual terms of these modifications. These latest reforms may impact our interstate revenues but it is not possible to predict the impact with any assurance at this time. The

Company will continue to monitor these matters, participate in the related regulatory proceedings as we deem appropriate, assess the potential impact on our consolidated financial position and results of operations, and respond as effectively as we can.

Year 2013 compared to 2012

Operating revenues and expenses

The following is a breakdown of revenue and costs and expenses from operations:

	2013	2012
Revenues:		
Local telephone service revenue	$476,715	$557,107
Universal service fund and access revenue	2,294,023	2,400,388
Internet revenue	529,396	520,875
Facility lease revenue	515,957	481,225
Miscellaneous	37,319	118,447
Total revenue	3,853,410	4,078,042
Operating Costs and Expenses:		
Cost of revenue, excluding depreciation	1,761,767	1,658,385
Corporate operations expenses	932,592	910,436
Depreciation	657,589	755,332
Total operating cost and expenses	3,351,948	3,324,153
Operating income	$501,462	$753,889

Total revenues in 2013 decreased $224,632 or 5.5%, to $3,853,000, compared to $4,078,000 in 2012. Local telephone service revenue decreased $80,392 or approximately 14.4% in 2013 compared to 2012, due to a decline in the number of access lines of approximately 3% during the year and certain one-time changes included in 2012. This decrease in access lines is due to competition with wireless companies and customers disconnecting second lines.

USF and Access Revenues decreased $106,365 or 4.4%. This resulted from lower intrastate access rates of approximately $201,000, offset by an increase in interstate access revenues due to increased plant investment

Internet revenues increased by $8,521 or 1.6% due to customers switching from dial up to DSL Internet services and additional demand for higher speed broadband connections.

Facility lease revenues were actually the same in 2013 and 2012, as $35,000 in revenues that were classified as miscellaneous in 2012 were transferred to facilities lease revenues in 2013.

Miscellaneous revenues consisting of long distance services, directory and other related services declined $81,128 or 68.5% due to uncollectible revenue of $31,000 in 2013 and lease revenue that was reclassified as noted above.

Total costs and expenses were $3,351,948 in 2013 versus $3,324,153 in 2012. Cost of revenue increased by $103,000 due to increased overtime and maintenance and an increase in our corporate franchise tax.

Corporate operations increased by $22,000 in 2012. These were offset by a decrease in depreciation expense of $98,000 in 2013 due to certain assets becoming fully depreciated.

Operating income decreased in 2013 by $252,427 or 33.5%, to $501,462 compared to $753,889 in 2012 as a result of the above.

Other income

The following is a breakdown of other income and expense:

	2013	2012
Other income		
Dividends and interest	204,210	206,341
Earnings from equity investments	425,297	443,535
Other income	-	2,245
Amortization of deferred loan fees	-	(66,375)
Interest expense	(119,035)	(151,359)
Total other income	510,472	434,387

Other income increased by $76,085 to $510,472 in 2012 from $434,387 in 2012. The decrease in dividends and interest income resulted from a slight decrease in dividends received from the Company's minority interest in two cellular corporations that are invested in joint ventures with Verizon Wireless. The decrease in earnings from equity investments resulted from decreased earnings related to the Company's investment in DCN. DCN net income decreased approximately 4% in 2013 as compared to 2012. The decrease in amortization of deferred loan fees is the result of the payoff of short term loans in 2012 which caused a write-off of unamortized loan fees. The reduction of interest expense is a result of the recognition of allowance for funds used during construction in 2013.

Income tax expense

Income tax expense totaled $279,373 and $365,549 in 2013 and 2012, respectively. Our effective income tax rate was 27.6% and 30.8% in 2013 and 2012, respectively. The decrease in income tax expense is primarily the result of reductions in North Dakota state income tax rates and the reduction in operating income.

Earnings before interest, taxes, depreciation, and amortization ("EBITDA")

EBITDA is used by the Company's management as a supplemental financial measure to evaluate the operating performance of its business and, when viewed with its GAAP results and the accompanying reconciliations, the Company believes it provides a more complete understanding of factors and trends affecting its business than the GAAP results alone. In addition, the Company routinely uses EBITDA as a metric for valuing potential acquisitions. The Company understands that analysts and investors regularly rely on non-GAAP financial measures, such as EBITDA, to provide a financial measure by which to compare a company's assessment of its operating performance against that of other companies in the same industry.

The Company's management believes strongly in growing intrinsic value as a long-term prescription for managing an enterprise's health. The Company's local management teams run their respective businesses as stand-alone, entrepreneurial units although it attempts to use economies of scale and other efficiencies (such as joint purchasing) where they are available. The Company believes that EBITDA is the clearest indicator of the cash flow generating ability and long-term health of such units. The Company values potential acquisitions on the same basis.

The term EBITDA refers to, for any period, net income before any interest, income taxes, depreciation and amortization. The following table provides the components of EBITDA before all components of "other income" which consists of dividend income, earnings from affiliates, amortization of deferred loan fees and other income, and reconciles it to net income for the period ending December 31, 2013 and 2012:

	2013	2012
EBITDA	$ 1,159,051	$ 1,509,221
Reconciliation to net income:		
EBITDA	$ 1,159,051	$ 1,509,221
Depreciation	(657,589)	(755,332)
Dividend income	204,210	206,341
Other income	-	2,245
Amortization of deferred loan fees	-	(66,375)
Earnings from equity affiliates	425,297	443,535
Interest Expense	(119,035)	(151,359)
Income Taxes	(279,373)	(365,549)
Net income	$ 732,561	$ 822,727

The Company's 2013 EBITDA decreased compared with 2012 results due to a reduction in operating income, offset by reduced depreciation, amortization of loan fees, interest expense and income tax expense.

Liquidity and Capital Resources

Liquidity

The Company believes, but can provide no assurances, that we will be able to meet our current and long-term liquidity, capital requirements and fixed charges through our cash flows from operating activities, existing cash, cash equivalents, credit facilities, and other external financing and equity sources. Should operating cash flows be insufficient to support additional borrowings and principal payments scheduled under our existing credit facilities, capital expenditures will likely be reduced, which may reduce future revenues.

The Company was awarded a stimulus loan and grant pursuant to the American Recovery and Reinvestment Act of 2009 to finance the construction of a broadband infrastructure project in three of the

communities we serve. The $2,338,651 project is expected to be fully completed during 2014. The project is being funded through a loan from the Rural Utilities Service ("RUS") of $713,289, and a grant through the Broadband Initiatives Program administered by RUS, of $1,625,362. The Company received advances of $502,177 on the broadband loan and $1,144,304 on the grant in 2013.

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

Estimated principal repayments on the Company's debt for the next five years are as follows:

2014	$18,000
2015	$19,000
2016	$20,000
2017	$21,000
2018	$22,000

Sources and Uses of Cash

As of December 31, 2013, the Company had cash and cash equivalents of $2,498,932, an increase of $178,682 from December 31, 2012. Net cash from operations for the year ended December 31, 2013 was $1,208,043 and for year ended December 31, 2012 net cash from operations was $1,913,163. Operating cash flows were primarily used to invest in plant and equipment.

Capital expenditures were $3,003,820 in 2013 and $1,473,299 in 2012. The increase was due to plant additions related to the stimulus loan and grant project.

The Company's capital budget for 2014 includes completion of the broadband initiatives project discussed above and $900,000 in other capital improvements that will be financed through internally generated funds. Total capital expenditures will be used to upgrade the Company's fiber backbone, extend fiber to the home, increase the Company's fiber footprint and replace and/or repair equipment and vehicles that have exceeded their useful lives.

On November 20, 2012, the Company sold, in a private sale, 80,000 shares of our Class A common stock to CIBL, Inc. ("CIBL") for an aggregate offering price of $1.76 million, constituting approximately 20% of the issued and outstanding shares of our Class A common stock, pursuant to the terms of a stock purchase agreement.

The Company has not paid cash dividends to date. In addition, its existing credit agreement restricts dividends, and credit agreements which it may enter into in the future with institutional lenders may restrict its ability to pay dividends. Whether the Company pays cash dividends in the future will be at the discretion of its board of directors and will be dependent upon its legal obligations, financial condition, results of operations, capital requirements, and any other factors that its board of directors decides are relevant.

Ownership Interest of CIBL, Inc.

In addition to the above noted private sale of stock, on December 26, 2012, CIBL purchased an additional 81,552 shares of our Class A common stock pursuant to a previously commenced tender offer, for an aggregate purchase price of approximately $1.8 million, excluding fees and expenses related to the offer, and has purchased additional shares on the open market, bringing its aggregate ownership to approximately 40% of our issued and outstanding shares of Class A common stock.

On April 15, 2013, the Company received notice from CIBL that CIBL had acquired the right to vote an additional 46,000 shares of our Class A common stock pursuant to a voting agreement with MJG-IV LP, a partnership of which Mr. Mario J. Gabelli is the general partner. As a result, CIBL now controls approximately 52% of the voting power of our outstanding common stock.

For as long as CIBL continues to control the power to vote more than a majority of the voting power of our shares of Class A common stock, CIBL will be able to direct the election of all of the members of our Board of Directors and exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional common stock or other equity securities, the repurchase or redemption of common stock and the payment of dividends. Similarly, CIBL will have the power to determine matters submitted to a vote of our stockholders without the consent of our other stockholders, will have the power to prevent a change in our control and could take other actions that it determines to be in its interests.

Consolidated Financial Statements
December 31, 2013 and 2012

ICTC Group, Inc. and Subsidiaries

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OLSEN THIELEN & CO., LTD.
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
ICTC Group, Inc. and Subsidiaries
Nome, North Dakota

We have audited the accompanying consolidated financial statements of ICTC Group, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2013 and 2012, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICTC Group, Inc. and Subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Olsen Thielen & Co., Ltd.

St. Paul, Minnesota
April 2, 2014

2675 Long Lake Road, St. Paul, Minnesota 55113-1117 651 483 4521 FAX 651 483 2467
300 Prairie Center Drive, Ste. 300, Minneapolis, Minnesota 55344-7908 952 941 9242 FAX 952 941 0577

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 2,498,932	$ 2,320,250
Accounts receivable, net of allowances of $4,000 and $1,000, respectively	296,087	312,240
Materials and supplies	41,770	53,691
Deferred income taxes	65,404	62,174
Prepaid tax benefit	18,998	-
Prepayments	105,710	75,557
Total current assets	3,026,901	2,823,912
Noncurrent Assets		
Other investments	246,078	238,265
Equity method investments	1,645,569	1,486,392
Goodwill	1,772,179	1,772,179
Total noncurrent assets	3,663,826	3,496,836
Telecommunications Plant		
In service	22,191,949	22,663,624
Under construction	1,190,220	82,698
	23,382,169	22,746,322
Less accumulated depreciation and amortization	16,584,831	16,886,712
Net plant	6,797,338	5,859,610
Total assets	$ 13,488,065	$ 12,180,358

	2013	2012
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 291,298	$ 108,782
Current maturities of long-term debt	18,000	-
Accrued income taxes	-	194,732
Other current liabilities	253,059	284,338
Total current liabilities	562,357	587,852
Long-Term Debt	2,555,200	2,071,800
Other Liabilities		
Construction deposits	64,556	-
Deferred income taxes	2,285,419	2,232,734
	2,349,975	2,232,734
Total liabilities	5,467,532	4,892,386
Commitments and Contingencies (Note 11)		
Stockholders' Equity		
Preferred stock Class A: $.0001 par value; 1,000,000 shares authorized		
No shares outstanding	-	-
Common stock		
Class A: $.0001 par value; 2,000,000 shares authorized		
Issued and outstanding: 404,426	40	40
Additional paid in capital	1,759,992	1,759,992
Retained earnings	6,260,501	5,527,940
Total stockholders' equity	8,020,533	7,287,972
Total liabilities and stockholders' equity	$ 13,488,065	$ 12,180,358

ICTC Group, Inc. and Subsidiaries

Consolidated Statements of Income

Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues		
Local telephone service revenue	$ 476,715	$ 557,107
Universal Service Funding and access revenue	2,294,023	2,400,388
Internet revenue	529,396	520,875
Facility lease revenue	515,957	481,225
Miscellaneous revenue	37,319	118,447
Total operating revenues	3,853,410	4,078,042
Operating Expenses		
Plant operations, excluding depreciation	1,537,899	1,449,606
Depreciation	657,589	755,332
Customer operations	168,178	178,424
Corporate operations	932,592	910,436
Operating taxes - other	55,690	30,355
Total operating expenses	3,351,948	3,324,153
Operating Income	501,462	753,889
Nonoperating Income (Expense)		
Dividend income	204,210	206,341
Other income (loss)	-	2,245
Amortization of deferred loan fees	-	(66,375)
Earnings from equity investments	425,297	443,535
Total nonoperating income	629,507	585,746
Income Before Interest Expense and Income Taxes	1,130,969	1,339,635
Interest Expense	119,035	151,359
Income Before Income Taxes	1,011,934	1,188,276
Income Tax Expense	279,373	365,549
Net Income	$ 732,561	$ 822,727
Basic and Diluted Weighted Average Common Shares Outstanding	404,426	333,193
Basic and Diluted Earnings Per Common Share	$ 1.81	$ 2.47

See Notes to Consolidated Financial Statements

	Preferred Stock Class A	Common Stock Class A	Additional paid in Capital	Retained Earnings	Total
Balance, January 1, 2012	$ -	$ 32	$ -	$ 4,705,213	$ 4,705,245
Net income	-	-	-	822,727	822,727
Common stock issued	-	8	1,759,992	-	1,760,000
Balance, December 31, 2012	-	40	1,759,992	5,527,940	7,287,972
Net income	-	-	-	732,561	732,561
Balance, December 31, 2013	$ -	$ 40	$ 1,759,992	$ 6,260,501	$ 8,020,533

	2013	2012
Operating Activities		
Net income	$ 732,561	$ 822,727
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	657,589	821,707
Earnings from equity investments	(425,297)	(443,535)
Distributions received - equity investments	266,120	226,476
Deferred income taxes	49,455	137,441
Earnings from other investments	(7,813)	-
Change in current assets and current liabilities		
Accounts receivable	16,153	7,458
Materials and supplies	11,921	(6,894)
Prepaid income taxes	(18,998)	120,705
Prepayments	(30,153)	71,668
Accounts payable	182,516	(20,615)
Accrued income taxes	(194,732)	194,732
Other current liabilities	(31,279)	(18,707)
Net Cash from Operating Activities	1,208,043	1,913,163
Investing Activities		
Purchase of property and equipment	(3,003,820)	(1,473,299)
Broadband Initiatives Program Grant funds received	1,144,304	-
Contributions in aid received	328,755	-
Net Cash used for Investing Activities	(1,530,761)	(1,473,299)
Financing Activities		
Proceeds from issuance of common stock	-	1,760,000
Advances on long term debt - Broadband Initiatives Program	502,177	-
Advances on long-term debt	-	530,000
Principal payments on long-term debt	(777)	(1,059,985)
Net Cash from Financing Activities	501,400	1,230,015
Net Change in Cash and Cash Equivalents	178,682	1,669,879
Cash and Cash Equivalents, Beginning of Year	2,320,250	650,371
Cash and Cash Equivalents, End of Year	$ 2,498,932	$ 2,320,250
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	$ 130,694	$ 151,359
Cash payments (refunds) for income taxes	$ 386,347	$ (87,326)

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Organization

ICTC Group, Inc. (the "Company"), formerly named Sunshine PCS Corporation, serves as a holding company for Lynch Telephone II, LLC ("Lynch II") which serves as a holding company for Inter-Community Telephone Company LLC ("Inter-Community") and Valley Communications, Inc. ("Valley"). Inter-Community is a rural independent local telephone company ("RLEC") serving communities in southeastern North Dakota providing regulated telephone service; Valley provides internet and other non-regulated services. The Company operates in one business segment, telecommunications.

Principles of Consolidation

The consolidated financial statements include the accounts of Lynch II, Inter-Community and Valley. All assets and liabilities of the Subsidiaries are consolidated with the assets and liabilities of the Company. All significant inter-company accounts have been eliminated.

Regulatory Accounting

The Company's public utility activities are regulated by the Federal Communications Commission (FCC). The North Dakota Public Service Commission does not regulate RLEC's with fewer than 8,000 access lines, such as Inter-Community. The Company follows the Federal Communication Commission's (FCC) Uniform System of Accounts, Part 32 of the FCC Rules and Regulations.

Where applicable, this regulated accounting recognizes the economic effects of rate regulation by recording costs and a return on investment; as such, amounts are recovered through rates authorized by regulatory authorities. Criteria that would give rise to the discontinuance of regulatory accounting practices include (1) increasing competition restricting the Company's wireline business' ability to establish prices to recover specific costs and (2) significant changes in the manner in which rates are set by regulators from cost based regulation to another form of regulation. The Company periodically reviews the applicability of regulatory accounting guidelines based on the developments in its current regulatory and competitive environments.

Accounting Estimates

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

Concentrations of Business and Credit Risk

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

The FCC has proposed significant changes to the rules affecting the revenues of rural telecommunications carriers. The Company serves high cost rural areas and receives a significant portion of revenues from federal support mechanisms and access revenues from long distance carriers. The Company's revenues are significantly dependent on the continuation and level of such support mechanisms. The Company received approximately 38% and 36% of its revenues from NECA and the Federal Universal Service Fund during the years ended December 31, 2013 and 2012, respectively. The Company also received approximately 22% of its revenues from other access revenues during the years ended December 31, 2013 and 2012, respectively.

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

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash deposits with an original maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments on trade receivables are applied to the applicable unpaid invoices. The carrying amount of the trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

Materials and Supplies

Inventories are stated at the lower of average cost or market.

Investments

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

Goodwill

Goodwill is tested annually for impairment, or more frequently, if deemed necessary. The Company tests goodwill for impairment using a two-step process. The first step is a screen for potential impairment in which the Company determines its fair value based on a number of subjective factors, including: (a) appropriate weighting of valuation approaches (income approach, market approach and comparable company approach), (b) estimates of our future cost structure, (c) discount rates for estimated cash flows, (d) selection of peer group companies for our market approach, (e) required level of working capital, (f) assumed terminal value, and (g) time horizon of cash flow forecasts. The Company estimates the fair value using Level 3 inputs as defined in the fair value hierarchy.

If such tests indicate potential impairment due to the carrying value of the reporting unit exceeding its fair value, then a second step measures the amount of impairment, if any. The Company performed the required annual tests as of December 31, 2013 and 2012 and determined that there was no impairment at that time. There were no accumulated impairment losses as of December 31, 2013 and 2012.

Telecommunications and Other Plant

Additions to telephone plant are recorded at cost, which includes contracted work, direct labor and materials, and allocable overheads. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Maintenance and repair costs and the replacement and renewal of items determined to be less than units of property are charged to expense.

The grant money received for reimbursement of capital expenditures is accounted for as a deduction from the cost of the asset. The resulting balance sheet presentation reflects the Company's 30.5% investment in the assets in property, plant and equipment. Depreciation is calculated and recorded based on the 30.5% investment; therefore, the impact of the grant is reflected in earnings as a reduction in depreciation. Grant funds are shown as inflows in the investing activities section of the statement of cash flows.

Depreciation

The majority of the Company's property, plant and equipment is plant used for the wireline telephone business. Depreciation is based on the composite group remaining life method and straight-line composite rates. This methodology provides for the recognition of the cost of the remaining investment in telephone plant, property and equipment less anticipated positive net salvage value, over the remaining asset lives. When depreciable telephone plant is replaced or retired, the carrying amount of such plant is deducted from the respective accounts and charged to accumulated depreciation and no gain or loss is recognized. Use of this methodology requires the periodic revision of depreciation rates. In the evaluation of asset lives, multiple factors are considered, including expected future retirements, technology changes and the adequacy of depreciation reserves.

Impairment of Long-Lived Assets

Long-lived assets, such as telecommunications plant, and purchased intangibles subject to amortization, are reviewed from impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. There were no asset impairments recorded during the years ended December 31, 2013 and 2012.

Income Taxes

The Company will file federal and state income tax returns on a consolidated basis. All income taxes reflected by the Company have been computed on a separate return basis. The Company follows the liability method of accounting for income taxes, under which deferred income tax assets and liabilities are determined based on the difference between financial reporting and income tax bases of assets and liabilities using the enacted marginal tax rates and laws expected to be in effect when the differences are expected to reverse. Temporary differences result primarily from depreciation and certain accruals.

The Company has evaluated whether it was necessary to recognize any benefit from uncertain tax positions in currently open tax periods and determined that there are no material uncertainties within its filed tax returns. As of December 31, 2013 and 2012, the unrecognized tax benefit accrual was zero. The Company would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax, if incurred. Generally, the Company is no longer subject to Federal and state tax examinations by tax authorities for years prior to 2010.

Revenue Recognition

Telephone service revenue is primarily derived from regulated local, intrastate and interstate access services and recognized as services are provided.

Local access revenues come from providing local telephone exchange services and are billed to local end-users in advance in accordance with tariffs approved by the state regulatory commission. Such advance billings are initially deferred and recognized as revenue when earned.

Revenue that is billed in arrears includes nonrecurring intrastate and interstate network access services, nonrecurring local services and long distance services. The earned but unbilled portion of this revenue is recognized as revenue in the period that the services are provided.

Revenue from intrastate access is based on tariffs approved by the state regulatory commission. Revenue from interstate access is derived from settlements with NECA. NECA was created by the FCC to administer access rates and revenue pooling on behalf of local exchange carriers who elected to participate in a pooling environment. Interstate settlements, including amounts received under Universal Service Fund mechanisms, are determined based on the Company's cost of providing telecommunications service, including investments in specific types of infrastructure and operating expenses and taxes.

Interstate access revenue recognition is based on management's estimate of the final earning settlement of the NECA pools. For the NECA Common Line pool, the 2013 and 2012 rates-of-return are expected to equal the authorized rate-of-return of 11.25%; therefore, interstate revenues were increased to reflect the additional revenues which are expected to be received from NECA once the Common Line pool settlements are finalized.

The Company also leases use of telecommunications facilities on a short term basis to other telecommunications companies. Revenue from the leases is recognized monthly when earned.

Other ancillary revenues, derived from the provision of directory advertising and billing and collection services, are recognized as services are provided based on the rates under the respective contract. Non-regulated operations are included in other income in the accompanying consolidated statements of income.

Advertising Costs

Advertising costs are expensed as incurred.

Sales Taxes

The Company has customers in North Dakota and its municipalities in which those governmental units impose a sales tax on certain sales. The Company collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and long-term notes payable approximate their fair value as of December 31, 2013 and 2012.

The cost investments are carried at historical cost due to no readily determinable fair value for those instruments being available. Management believes there has been no other than temporary impairment in the investments.

Earnings per Common Share

The Company computes net income per common share in accordance with the provision included in ASC 260, *Earnings per Share* ("ASC 260"). Under ASC 260, basic and diluted income per share is computed by dividing net income available to stockholders by the weighted average number of common shares and common share equivalents outstanding during the period. Basic income per common share excludes the effect of potentially dilutive securities, while diluted income per common share reflects the potential dilution that would occur if securities or other contracts to issue common shares were exercised for, converted into or otherwise resulted in the issuance of common shares. The company had no potentially dilutive common share equivalents outstanding at December 31, 2013 and 2012.

Reclassifications

Certain reclassifications have been made to the 2012 consolidated financial statement presentation in order to conform to the 2013 consolidated financial statement presentation. The reclassifications had no effect on net income.

Recent Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02 to amend and simplify the annual testing for impairment of indefinite-lived intangible assets. This amendment allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. ASU 2011-08 on January 1, 2012, did not have an impact on our income statements, financial position or cash flows.

We reviewed all other significant newly issued accounting pronouncements and determined they are either not applicable to our business or that no material effect is expected on our financial position and results of operations.

Note 2 - Other Investments

	2013	2012
National Information Solutions Cooperative (NISC)		
Patronage capital allocations	$ 86,682	$ 78,869
Cellular corporation interests - at cost	144,128	144,128
Other	15,268	15,268
	$ 246,078	$ 238,265

During the years ended December 31, 2013 and 2012, the Company received dividends from the cellular corporations of approximately $192,000 and $200,000, respectively.

Note 3 - Equity Method Investments

	2013	2012
Dakota Carrier Network, LLC (3.433% ownership at equity)	$ 1,645,569	$ 1,486,392

The Company recognized equity earnings from Dakota Carrier Network, LLC of $425,297 and $443,535 during the years ended December 31, 2013 and 2012.The Company received distributions from Dakota Carrier Network, LLC of $266,120 and $226,476 during the years ended December 31, 2013 and 2012. The Company also leases capacity of certain telecommunications plant on a short term basis to customers through Dakota Carrier Network, LLC. Dakota Carrier Network, LLC paid the Company approximately $446,000 and $457,000 for the use of the Company's network during 2013 and 2012, respectively, and is recorded as facility lease revenue in the consolidated statements of income.

Condensed financial information of Dakota Carrier Network, LLC as of and for the years ended December 31, 2013 and 2012, is as follows:

	2013	2012
Assets		
Current assets	$ 5,118,983	$ 4,301,705
Other assets	1,283,676	1,308,840
Property, net	42,770,075	39,058,495
	$ 49,172,734	$ 44,669,040
Liabilities and Members' Equity		
Current liabilities	$ 1,237,174	$ 1,369,770
Members' equity	47,935,560	43,299,270
	$ 49,172,734	$ 44,669,040
Operations		
Revenues	$ 45,605,272	$ 44,490,965
Expenses	33,216,768	31,570,608
Net income	$ 12,388,504	$ 12,920,357

Note 4 - Telecommunications and Other Plant

	2013		2012	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Land and support assets	$ 2,230,328	2.9 - 20.0%	$ 2,236,600	2.9 - 20.0%
Central office switching equipment	5,713,106	6.67 - 20.0%	6,344,516	6.67 - 20.0%
Cable and wire facilities	13,929,457	3.9 - 6.67%	13,733,774	3.9 - 6.67%
Internet equipment	319,058	15%	348,734	15%
Total in service	22,191,949		22,663,624	
Under construction	1,190,220		82,698	
	$ 23,382,169		$ 22,746,322	

Note 5 - Long-Term Debt

	2013	2012
RUS Broadband Initiatives Loan (Note 6)	$ 501,400	$ -
Former shareholder loans maturing December 31, 2022	2,071,800	2,071,800
	2,573,200	2,071,800
Less current maturities	18,000	-
	$ 2,555,200	$ 2,071,800

On January 31, 2012, the Company entered into a line of credit and term loan agreement with a local bank for $500,000 and $530,000, respectively. The Company borrowed $530,000 on the term loan agreement and repaid another loan on January 31, 2012. The credit facility is secured by certain assets owned by the Company. The line of credit accrued interest at a rate of 5% and expired January 30, 2013, while the term loan accrues interest at a fixed rate of 5.25% with a maturity date of January 15, 2017. There was no outstanding balance on the term loan agreement as of December 31, 2013 and 2012.

The Company has subordinated notes with former shareholders for $2,071,800 as of December 31, 2013 and 2012 at an interest rate of 6% maturing December 31, 2022. Interest on the notes is paid quarterly. The notes may be prepaid at any time without penalty.

The Company received advances of $502,177 on the RUS Broadband Initiatives Program Loan. See Note 6 for additional information relating to the loan/grant agreement. The loan is due in monthly payments of principal and interest over 23 years at an interest rate of 2.7324% and 3.643%. The funds advanced were deposited into a pledged deposit account, the disbursements from which are restricted by the provisions of the loan/grant agreement. The loan/grant agreement also includes certain financial and other covenant requirements.

Long-term debt agreements contain restrictions on dividends and redemptions of equity capital. There are no retained earnings available for dividend distribution as of December 31, 2013 for future dividends and stock redemptions. The loan provisions allow a distribution after 75% of the loan funds ($534,966) have been expended and retained earnings available for dividend distribution are $203,600.

It is estimated that principal repayments on the Company's debt for the next five years will be as follows:

Years Ended December 31,	
2014	$ 18,000
2015	19,000
2016	20,000
2017	21,000
2018	22,000

Note 6 - Broadband Initiatives Program

The Company was awarded a stimulus loan and grant pursuant to the American Recovery and Reinvestment Act of 2009 to finance the construction of a broadband infrastructure project in rural areas. The $2,338,651 project is expected to be completed during 2014. The project is being funded through a broadband loan from the Rural Utilities Service (RUS) of $713,289, and a grant through the Broadband Initiatives Program administered by RUS, of $1,625,362. Construction costs related to the project through December 31, 2013 were $2,088,412. The Company has received $502,177 in advances on the broadband loan and $1,144,304 in grant funds relating to the project in 2013. Unadvanced funds available on the broadband loan were $211,112 as of December 31, 2013. The Company has incurred $307,143 of costs that are expected to be reimbursed under the RUS BIP program. The costs have been recorded in Plant Under Construction.

Note 7 - Income Tax Expense and Deferred Taxes

The provision for income tax is reflected in the consolidated statements of income as follows:

	2013	2012
Current taxes payable		
Federal	$ 197,843	$ 187,037
State	32,075	41,071
	229,918	228,108
Deferred income tax	49,455	137,441
Total provision for income taxes	$ 279,373	$ 365,549

Reconciliation of statutory rates to effective tax rates were as follows:

	2013	2012
Tax at U.S. statutory rate	35.0%	35.0%
Surtax exemption	-1.0%	-1.0%
State income taxes, net of federal benefit	3.2%	3.5%
Dividends received deduction	-4.8%	-4.0%
Adjustment to deferred taxes for reduction of state income taxes	-2.6%	0.0%
Other	-2.2%	-2.7%
	27.6%	30.8%

Deferred tax assets and liabilities at December 31 are as follows:

	2013	2012
Vacation and compensated absences	$ 63,924	$ 61,794
Other	1,480	380
Deferred current income tax asset	$ 65,404	$ 62,174
Telecommunications plant depreciation	$ 1,346,178	$ 1,290,024
Federal and state loss carryforwards	(1,483,374)	(1,483,374)
Goodwill and intangibles amortization	739,428	761,044
Equity investments	199,813	181,666
Net long-term deferred tax (asset) liability before valuation allowance	802,045	749,360
Valuation allowance	1,483,374	1,483,374
Net deferred long-term income tax liability	$ 2,285,419	$ 2,232,734

Deferred income taxes are provided for the temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities. The Company has approximately $3.8 million of federal operating tax loss carry forwards, incurred over the years starting in year 2001 through 2010. Valuation allowances have been provided for the balance of the potential deferred tax assets as the realization of such assets is limited due to Code Section 382 limitation rules. The loss carryover may be carried forward 20 years which would expire starting in 2021.

Note 8 - Stockholders' Equity

On April 15, 2013, the Company announced that it had received notice from CIBL, Inc. ("CIBL"), that CIBL had acquired the voting rights to an additional 46,000 shares. With this action, CIBL now has voting control of the company through its control of a total of 207,552 shares of ICTC's class A stock or 51.3% of the 404,426 Class A shares that are currently outstanding.

On September 24, 2013, the Company filed an amended and restated certificate of incorporation pursuant to sections 242 and 245 of the Delaware General Corporation Law. The amendment included changing the authorized preferred stock from 44,500 shares at $1.00 par value to 1,000,000 shares at $.0001 par value. The amendment also eliminated the 9,000,000 shares of Class B authorized stock and reduced the 20,000,000 Class A shares authorized to 2,000,000 shares authorized.

Note 9 - Pension and Retirement Plans

Pension Plan

The Company has a contributory defined benefit pension plan covering substantially all employees. The National Telephone Cooperative Association (NTCA) Retirement Security Plan (R&S Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiple employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 52-0741336 and the Plan Number is 333.

A unique characteristic of a multiple employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers. The Company's contributions to the RS Plan in 2013 and 2012 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Company made contributions to the plan of approximately $76,000 in 2013 and $78,000 in 2012. The change in contributions is the result of the Company reducing its contribution rate into the plan from 11.6% to 5.6% effective April 1, 2012. The 2013 and 2012 contributions above include surcharges of approximately $20,000 and $21,000.

In the R&S Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. The Program meets ERISA minimum funding requirements. The Funding Target Attainment Percentage valued as of January 1, 2012 is 88.59%. Section 104 of PPA delays the effective date of funding rules for certain multiple employer rural cooperative plans. As such, the Program will not be subject to the PPA funding rules until after December 31, 2016.

Because the provisions of the PPA do not apply to the R&S Plan, funding improvement plans and surcharges are not required. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The risks of participating in multiple employer plans are different from single-employer plans in the following aspects: (a) assets contributed to a multiple employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the multiple employer plan, the unfunded obligations of the plan may be borne by the remaining participating employers and (c) if the Company chooses to stop participating in the plan, the Company may be required to pay a withdrawal liability based on the underfunded status of the plan. The participants' retirement payments are also guaranteed up to a certain annual monthly income for life by the Pension Benefit Guarantee Corporation.

Retirement Plans

The Company has a profit sharing plan which covers all of its employees. There were no contributions into this plan during the years ended December 31, 2013 and 2012, respectively.

The Company also participates in the National Telephone Cooperative Association (NTCA) 401(k) plan. Prior to April 1, 2012, The Company contributed 1% of employees' eligible salaries, based upon participation. Effective April 1, 2012, the Company approved an adoption agreement to the plan to increase the Company's contribution percentages to 6% of employees' eligible salaries. The Company's total cost of this plan for the years ended December 31, 2013 and 2012 was approximately $55,000 and $44,000.

Note 10 - Related Party

At December 31, 2013 and 2012, cash and short-term investments of $1,896,320 and $1,896,113, respectively is invested in United States Treasury money market funds for which affiliates of one of the Company's Directors serve as investment managers.

Note 11 - Commitments and Contingencies

The Company's capital budget for 2014 includes the completion of the Broadband Initiatives Program and $800,000 in other capital improvements that will be financed through internally generated funds.

Note 12 - Subsequent Events

The Company has evaluated subsequent events through April 2, 2014, the date which the consolidated financial statements were available to be issued.

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