Consolidated Financial Statements
December 31, 2011 and 2010

ICTC Group, Inc. and Subsidiaries

Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheets of ICTC Group, Inc. and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Eide Bailly LLP

Phoenix, Arizona
March 26, 2012

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	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 650,371	$ 455,448
Accounts receivable		
Telecommunications, net of allowances of $1,000 in 2011 and 2010	175,298	159,596
Other	144,400	179,233
Materials and supplies	46,797	34,535
Deferred income taxes	67,131	64,243
Prepaid income taxes	120,705	46,655
Prepayments	147,225	168,361
Total current assets	1,351,927	1,108,071
Noncurrent Assets		
Other investments	238,265	238,265
Equity method investments	1,269,333	1,051,764
Goodwill	1,772,179	1,772,179
Deferred loan fees	66,375	79,875
Nonregulated investments	35,459	5,750
Total noncurrent assets	3,381,611	3,147,833
Telecommunications Plant		
In service	20,994,196	20,084,386
Under construction	2,875	52
	20,997,071	20,084,438
Less accumulated depreciation and amortization	15,890,888	15,144,603
Net plant	5,106,183	4,939,835
Total assets	$ 9,839,721	$ 9,195,739

	2011	2010
Liabilities and Equities		
Current Liabilities		
Accounts payable	$ 129,397	$ 206,418
Advance billing and customer deposits	7,817	11,859
Current maturities of long-term debt	88,000	-
Other current liabilities	295,228	327,778
Total current liabilities	520,442	546,055
Long-Term Debt	2,513,784	2,893,393
Other Liabilities		
Deferred income taxes	2,100,250	1,881,929
Total liabilities	5,134,476	5,321,377
Stockholders' Equity		
Preferred stock		
Class A: $1.00 par value; 44,500 shares authorized		
No shares outstanding	-	-
Common stock		
Class A: $.0001 par value; 20,000,000 shares authorized		
Issued and outstanding: 324,426 and 324,426	32	32
Class B: $.0001 par value; 9,000,000 shares authorized		
No shares outstanding	-	-
Retained earnings	4,705,213	3,874,330
Total stockholders' equity	4,705,245	3,874,362
Total liabilities and stockholders' equity	$ 9,839,721	$ 9,195,739

	2011	2010
Operating Revenues		
Local telephone service revenue	$ 570,031	$ 558,968
Universal Service Funding and access revenue	2,627,473	2,354,570
Internet revenue	499,801	493,111
Facility lease revenue	318,497	234,812
Miscellaneous revenue	161,608	201,637
Total operating revenues	4,177,410	3,843,098
Operating Expenses		
Plant specific operations	1,081,851	1,022,691
Plant nonspecific operations	267,181	223,797
Depreciation	757,649	877,681
Customer operations	227,140	205,050
Corporate operations	893,584	879,449
Operating taxes - other	17,300	16,624
Internet expenses	85,430	81,814
Total operating expenses	3,330,135	3,307,106
Operating Income	847,275	535,992
Nonoperating Income (Expense)		
Interest income	14	62,069
Dividend income	257,528	197,599
Other income (loss)	11,501	(1,615)
Amortization of deferred loan fees	(13,500)	(10,125)
Equity in earnings of investee	348,426	261,561
Total nonoperating income	603,969	509,489
Income Before Interest Expense and Income Taxes	1,451,244	1,045,481
Interest Expense	178,742	155,469
Income Before Income Taxes	1,272,502	890,012
Income Tax Expense	441,619	387,206
Net Income	$ 830,883	$ 502,806
Retained earnings		
Beginning of year	$ 3,874,330	$ 8,535,136
Net income	830,883	502,806
Net assets acquired in reverse purchase	-	174,322
Non-cash dividends	-	(1,766,134)
Non-cash dividend - assumption of debt from related party	-	(3,571,800)
End of year	$ 4,705,213	$ 3,874,330

	2011	2010
Operating Activities		
Net income	$ 830,883	$ 502,806
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	771,149	887,806
Equity in earnings of investee	(348,426)	(261,561)
Noncash capital credit allocations	-	(6,901)
Deferred income taxes	215,433	304,876
	1,469,039	1,427,026
Change in current assets and current liabilities (Note 10)	(159,658)	(182,536)
Net Cash from Operating Activities	1,309,381	1,244,490
Investing Activities		
Purchase of property and equipment	(953,706)	(1,051,983)
Dividends received - equity investments	130,857	120,940
Recovery of restricted cash	-	53,958
Cash acquired in reverse purchase	-	167,501
Net Cash used for Investing Activities	(822,849)	(709,584)
Financing Activities		
Advances on long-term debt	141,000	-
Principal payments on long-term debt	(432,609)	(769,407)
Net Cash used for Financing Activities	(291,609)	(769,407)
Net Change in Cash and Cash Equivalents	194,923	(234,501)
Cash and Cash Equivalents, Beginning of Year	455,448	689,949
Cash and Cash Equivalents, End of Year	$ 650,371	$ 455,448
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	$ 178,742	$ 62,007
Cash payments for income taxes	$ 235,000	$ 135,250
Noncash Investing and Financing Activities		
Noncash dividend - related parties	$ -	$ (1,766,134)
Noncash dividend - assumption of debt from related party	$ -	$ (3,571,800)

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. On the May 28, 2010, the Company changed its name from Sunshine PCS Corporation to ICTC Group, Inc.

Principles of Consolidation and Basis of Presentation

On March 31, 2010, Sunshine completed the acquisition of Lynch II and Subsidiaries, through the issuance of 320,000 shares of its Class A common stock to Lynch Telephone North LLC ("North"). At that date, Lynch II was a 100% owned subsidiary of North, which is a 100%, owned subsidiary of Brighton Communications Corporation ("Brighton"), which is a 100% owned subsidiary of LICT Corporation ("LICT"). Subsequent to Sunshine's issuance of its shares to North, North owned 98% of Sunshine.

The acquisition was accounted for as a "reverse acquisition" of Sunshine by Lynch II under the purchase method of accounting. The consolidated financial statements reflect the transaction as if Lynch II had issued consideration to Sunshine shareholders. As a result, for the year ended December 31, 2010, the consolidated statement of income in the accompanying consolidated financial statements reflect the consolidated financial results of the Company by including the financial results of the Lynch II for the three months ended March 31, 2010, and the financial results of the Company for the nine months ended December 31, 2010, which includes the financial results of Sunshine and Lynch II from March 31, 2010. The balance sheets reflect the consolidated assets and liabilities of Lynch II and Sunshine at December 31, 2010. Prior to the acquisition, certain debt of North was assumed by Lynch II and distributions of certain assets were made to North. Those transactions have been reflected in the Company's consolidated financial statements.

In order to effect the acquisition described above, the Company issued 320,000 shares to North for their interest in Lynch II. Accordingly the number of common shares outstanding, par value, paid in capital and per share information included herein has been retroactively restated to give effect to the acquisition as required for "reverse acquisition" accounting.

Share Distribution

On May 28, 2010, LICT distributed the 320,000 shares of the Company's Class A common stock to its shareholders in a tax free distribution on the bases on thirteen (13) shares of the Company's Class A common stock for each share of LICT common stock outstanding.

Regulatory Accounting

Inter-Community'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.

A significant portion of the Company's revenues are from long distance carriers in the telephone industry, and consequently, the Company is directly affected by the financial well being of that industry. Historically, credit losses have not been significant.

In 2011 and 2010, the Company received approximately 37% and 32% of its revenues from NECA and the Federal Universal Service Fund. The Company also received approximately 26% and 29% of its revenues from other access revenues. On November 18, 2011, the FCC released its comprehensive order to modify the nationwide system of universal support and the inter-carrier compensation system. The full impact of the FCC order on revenues is uncertain at this time.

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, 2011 and determined that there was no impairment at that time. There were no accumulated impairment losses as of December 31, 2011 and 2010.

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.

Depreciation

Depreciation is computed using the straight-line method based upon the estimated service lives of the depreciable assets.

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, 2011 and 2010.

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 adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, on January 1, 2009. The implementation of this standard had no impact on the consolidated financial statements. As of both the date of adoption, and as of December 31, 2011, there was no unrecognized tax accrual.

The Company would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is no longer subject to U.S. Federal income tax examinations by tax authorities for fiscal years prior to 2008. The Company is generally exempt from state tax examinations for years prior to 2008.

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 2011 and 2010 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.

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 and retained earnings.

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.

Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statement presentation in order to conform to the 2011 consolidated financial statement presentation. The reclassifications had no effect on net income.

Note 2 - Acquisition

On March 31, 2010, Sunshine completed the acquisition of Lynch II and Subsidiaries, through the issuance of 320,000 shares of its Class A common stock to Lynch Telephone North LLC ("North"). The acquisition was accounted for as a "reverse acquisition" of Sunshine by Lynch II under the purchase method of accounting. Prior to the acquisition, certain debt of North was assumed by Lynch II and distributions of certain assets were made to North. Those transactions have been reflected in the Company's consolidated financial statements.

The restructuring was undertaken to separate and bring clarity to the business operations of the North Dakota based entities.

Net assets acquired were as follows:

Assets		
Cash	$	167,501
Other assets		36,293
Total assets		203,794
Liabilities		
Accounts payable		29,472
Total liabilities		29,472
Net assets acquired	$	174,322

Sunshine also has federal net operating losses of approximately $3.8 million resulting in potential deferred tax assets. Valuation allowances have been provided for the entire asset, as the realization of such assets is limited due to Code Section 382 limitation rules.

Prior to the acquisition, certain debt of a related party was assumed by North and distributions of certain assets were made to a related party. Those transactions have been reflected in the Company's consolidated financial statements and are summarized below.

Assumption of debt from related parties		
Former shareholder debt	$	2,071,800
CoBank debt		1,500,000
	$	3,571,800
Distributions of assets and liabilities to a related party		
Notes receivable - related party	$	3,277,998
Income taxes payable - related party		(847,596)
Accounts payable - related party		(988,616)
Accounts receivable - related party		324,348
	$	1,766,134

Note 3 - Other Investments

	2011	2010
National Information Solutions Cooperative (NISC)		
Patronage capital allocations	$ 78,869	$ 78,869
Cellular corporation interests - at cost	144,128	144,128
CoBank		
Patronage capital allocations	6,901	6,901
Stock	1,000	1,000
Other	7,367	7,367
	$ 238,265	$ 238,265

During the years ended December 31, 2011 and 2010, the Company received dividends from the cellular corporations of approximately $252,000 and $197,000, respectively.

Note 4 - Equity Method Investments

		2011		
	2010	Capital Distributions	Current Earnings	2011
Dakota Carrier Network, LLC (3.433% ownership at equity)	$ 1,051,764	$ (130,857)	$ 348,426	$ 1,269,333

Dakota Carrier Network, LLC paid the Company $334,905 and $229,826 for the use of the Company's network during 2011 and 2010, respectively, which is recorded in revenues in the consolidated statements of income and retained earnings.

Condensed financial information of Dakota Carrier Network, LLC as of and for the years ended December 31, 2011 and 2010, are as follows:

	2011	2010
Assets		
Current assets	$ 4,657,780	$ 3,581,104
Other assets	2,284,635	2,339,233
Property, net	32,068,394	25,005,308
	$ 39,010,809	$ 30,925,645
Liabilities and Members' Equity		
Current liabilities	$ 2,034,537	$ 287,221
Members' equity	36,976,272	30,638,424
	$ 39,010,809	$ 30,925,645
Operations		
Revenues	$ 38,029,578	$ 29,946,727
Expenses	27,879,795	22,322,853
Net income	$ 10,149,783	$ 7,623,874

Note 5 - Telecommunications and Other Plant

	2011		2010	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Land and support assets	$ 2,213,240	2.9 - 20.0%	$ 2,158,048	2.9 - 20.0%
Central office switching equipment	6,297,073	6.67 - 20.0%	6,164,565	6.67 - 20.0%
Cable and wire facilities	11,703,632	3.9 - 4.4%	10,981,522	3.9 - 4.4%
Plant adjustment	780,251		780,251	
Total in service	20,994,196		20,084,386	
Under construction	2,875		52	
	$ 20,997,071		$ 20,084,438	

Plant adjustment is the difference between the purchase price of acquired property and the net book value of the telecommunications plant at the time of purchase. Plant adjustment is being amortized on a straight-line basis over average remaining life of the plant at the time of purchase. Amortization expense was $36,617 for the years ended December 31, 2011 and 2010. Amortization expense is expected to be $36,617 for the next five years.

Note 6 - Long-Term Debt

	2011	2010
CoBank		
Revolving line of credit (variable rate 3.8125% at December 31, 2011)	$ 529,984	$ 811,746
Term loan paid off in 2011	-	9,847
Shareholder loans maturing December 31, 2016 (8%)	2,071,800	2,071,800
	2,601,784	2,893,393
Less current maturities	88,000	-
	$ 2,513,784	$ 2,893,393

Substantially all assets of the Company are pledged as collateral on the notes executed with CoBank. The related mortgage covenants require the Company to meet certain financial ratios, minimum net worth levels and minimum cash flow requirements.

The Company has a $2 million revolving credit agreement with CoBank which expires November 30, 2016. Repayment terms for the revolving line of credit include planned quarterly reductions to the maximum financing available under this line of credit.

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 new credit facility and paid the CoBank loan on January 31, 2012. The credit facility is secured by certain assets owned by the Company. The interest rate on the line of credit is 5% and matures January 30, 2013, while the interest rate on the term loan is 5.25% and matures on January 15, 2017. Current maturities included scheduled payments on the new term loan.

On March 31, 2010, subordinated notes with a balance of $2,071,800 that were an obligation of Lynch Telephone North, were assumed by the Company. The Company has restructured the interest rate on the shareholder loans to 6% effective January 1, 2012, and the maturity date was extended to 2022.

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

Years Ended December 31,	
2012	$ 88,000
2013	100,000
2014	105,000
2015	111,000
2016	117,000

Note 7 - Income Tax Expense and Deferred Taxes

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

	2011	2010
Current expense		
Federal	$ 177,981	$ 64,098
State	48,205	18,232
	226,186	82,330
Deferred expense		
Federal	178,809	253,047
State	36,624	51,829
	215,433	304,876
Total provision for income taxes	$ 441,619	$ 387,206

Income tax expense consists of the following:

	2011	2010
Federal income tax computed at statutory rates	$ 143,158	$ 64,098
State income tax computed at statutory rates	83,028	18,232
Deferred income tax credits - accelerated depreciation	247,170	166,207
Deferred income tax credits (charges) - other	(31,737)	138,669
Total provision for income taxes	$ 441,619	$ 387,206

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 currently has approximately $3.8 million of federal operating tax loss carry forward, incurred over the years starting in year 2001 through the current year. Valuation allowances have been provided for the balance of the potential deferred tax assets of 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.

The tax effects of all temporary differences that give rise to the net deferred tax liability at December 31 are as follows:

	2011	2010
Vacation and compensated absences	$ 66,741	$ 63,860
Other	390	383
Deferred current income tax asset	$ 67,131	$ 64,243
Telecommunications plant depreciation	$ 1,156,319	$ 909,149
Goodwill and intangibles amortization	775,232	767,402
Equity investments	168,699	205,378
Deferred long-term income tax liability	$ 2,100,250	$ 1,881,929

Note 8 - Pension Plan

Inter-Community has a contributory defined benefit pension plan covering substantially all employees. The plan is funded through payments to the National Telephone Company Association, (NTCA) which has established a trusteed plan whereby annuities, effective upon retirement, will be available to participants in amounts established by the plan. In this master multi-employer plan, which is available to all members of NTCA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. There are more than 360 NTCA member companies participating in the plan. The Company's total costs of this plan for the years ended December 31, 2011 and 2010, were approximately $126,000 and $103,000, respectively, which was charged to expense and other accounts on the basis of payroll distribution. The Company's contributes 11.6% of eligible employee compensation into the plan quarterly. The Company's contributions represent less than 5% of the total contributions received by the plan during the most recent plan year. The 2011 contributions include a 20% surcharge due to the current underfunded status of the plan that will continue in 2012. The Company has reduced its contribution percentage from 11.6% to 5.6% effective April 1, 2012.

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 withdraw liability based on the underfunded status of the plan. The Participants retirement is also guaranteed up to a certain annual monthly income for life by the Pension Benefit Guaranteed Corporation.

In addition, Inter-Community has a profit sharing plan which covers all of its employees. The Board of Directors annually determines the amount of the contribution to such plan, which was approximately $35,000 for the years ended December 31, 2011 and 2010.

Note 9 - Broadband Initiatives Program

Inter-Community has been 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 project is expected to be completed during 2012 and 2013. The project will be funded through a loan from RUS of $713,289, and a grant through the Broadband Initiatives Program, administered by RUS, of $1,625,362.

Note 10 - Supplementary Cash Flow Disclosures

Following is the detail information for the change in current assets and current liabilities:

	2011	2010
Accounts receivable	$ 19,131	$ 102,729
Accounts receivable - related	-	(177,168)
Restricted deferred compensation	-	(53,958)
Materials and supplies	(12,262)	(10,305)
Prepayments	21,136	(105,568)
Prepaid income taxes	(74,050)	-
Accounts payable	(77,021)	53,543
Accounts payable - related	-	417,986
Advance billing and deposits	(4,042)	(1,917)
Interest payable - related	-	(370,808)
Other current liabilities	(32,550)	(37,070)
	$ (159,658)	$ (182,536)

Note 11 - Related Party Transactions

Brighton provided certain management services to Inter-Community and Valley including executive, financial and accounting, planning, budgeting, tax, legal, and insurance services. The costs associated with these services, which are included in corporate operations, were $-0- and $166,667 for the years ended December 31, 2011 and 2010, respectively. Refer to Note 1 for details of the interrelationships with the above referred entities as well as Note 1 and Note 2 for other related party transactions.

Note 12 - Subsequent Events

The Company has evaluated subsequent events through March 26, 2012, the date which the consolidated financial statements were available to be issued.

Subsequent to year end, the Company entered into a line of credit and term loan agreement with a local bank for $500,000 and $530,000, respectively (See Note 6).

Supplementary Information
December 31, 2011

ICTC Group, Inc. and Subsidiaries

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of ICTC Group, Inc. and Subsidiaries as of and for the years ended December 31, 2011, and our report thereon dated March 26, 2012, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 17 through 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Eide Bailly LLP

Phoenix, Arizona
March 26, 2012

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	ICTC Group, Inc.	Lynch Telephone II	Inter-Community Telephone Company	Valley Communications, Inc.	Eliminations	Consolidated
Assets						
Current Assets						
Cash and cash equivalents	$ 140,080	$ 141,000	$ 369,291	$ -	$ -	$ 650,371
Accounts receivable						
Telecommunications	-	-	175,298	-	-	175,298
Other	-	-	144,400	-	-	144,400
Accounts receivable - related	-	77,958	1,635,106	1,333,476	(3,046,540)	-
Materials and supplies	-	-	37,792	9,005	-	46,797
Deferred income taxes	-	-	67,131	-	-	67,131
Prepaid income taxes	120,705	-	-	-	-	120,705
Prepayments	-	-	147,225	-	-	147,225
Total current assets	260,785	218,958	2,576,243	1,342,481	(3,046,540)	1,351,927
Noncurrent Assets						
Other investments	-	82,867	155,398	-	-	238,265
Equity method investments	-	-	1,269,333	-	-	1,269,333
Goodwill	-	286,904	1,485,275		-	1,772,179
Investment in affiliates	-	6,835,611	-	-	(6,835,611)	-
Deferred loan fees	-	66,375	-	-	-	66,375
Nonregulated investments	-	-	-	35,459	-	35,459
Total noncurrent assets	-	7,271,757	2,910,006	35,459	(6,835,611)	3,381,611
Plant, Property and Equipment						
In service	-	780,251	19,870,796	343,149	-	20,994,196
Under construction	-	-	2,875	-	-	2,875
Total investment in plant	-	780,251	19,873,671	343,149	-	20,997,071
Less accumulated depreciation and amortization	-	335,548	15,392,218	163,122	-	15,890,888
Net plant	-	444,703	4,481,453	180,027	-	5,106,183
Total assets	$ 260,785	$ 7,935,418	$ 9,967,702	$ 1,557,967	$ (9,882,151)	$ 9,839,721

	ICTC Group, Inc.	Lynch Telephone II	Inter-Community Telephone Company	Valley Communications, Inc.	Eliminations	Consolidated
Liabilities and Equities						
Current Liabilities						
Accounts payable	$ 26,832	$ -	$ 77,437	$ 25,128	$ -	$ 129,397
Accounts payable - related	171,505	1,450,960	1,329,748	94,327	(3,046,540)	-
Advance billing and customer deposits	-	-	7,817	-	-	7,817
Current maturities of long-term debt	-	88,000	-	-	-	88,000
Other current liabilities	-	-	293,427	1,801		295,228
Total current liabilities	198,337	1,538,960	1,708,429	121,256	(3,046,540)	520,442
Long-Term Debt	-	2,513,784	-	-	-	2,513,784
Other Liabilities						
Deferred income taxes	-	195,975	1,904,275	-	-	2,100,250
Total other liabilities	-	195,975	1,904,275	-	-	2,100,250
Total liabilities	198,337	4,248,719	3,612,704	121,256	(3,046,540)	5,134,476
Equities						
Common stock	-	-	24,592	1,000	(25,560)	32
Retained earnings	62,448	3,686,699	6,330,406	1,435,711	(6,810,051)	4,705,213
Total equities	62,448	3,686,699	6,354,998	1,436,711	(6,835,611)	4,705,245
Total liabilities and stockholders' equity	$ 260,785	$ 7,935,418	$ 9,967,702	$ 1,557,967	$ (9,882,151)	$ 9,839,721

	ICTC Group, Inc.	Lynch Telephone II	Inter-Community Telephone Company	Valley Communications, Inc.	Eliminations	Consolidated
Operating Revenues						
Local telephone service revenue	$ -	$ -	$ 551,469	$ 27,112	$ (8,550)	$ 570,031
Universal Service Funding and access revenue	-	-	2,754,978	-	(127,505)	2,627,473
Internet revenue	-	-	29,896	469,905	-	499,801
Facility lease revenue	-	-	349,500	1,500	(32,503)	318,497
Miscellaneous revenue	7,886	-	55,489	98,233	-	161,608
Total operating revenues	7,886	-	3,741,332	596,750	(168,558)	4,177,410
Operating Expenses						
Plant specific operations	-	-	1,081,851	-	-	1,081,851
Plant nonspecific operations	-	-	267,181	-	-	267,181
Depreciation	-	36,616	686,509	34,524	-	757,649
Customer operations	-	-	191,665	35,475	-	227,140
Corporate operations	151,360	4,656	737,568	-	-	893,584
Operating taxes - other	-	-	17,300	-	-	17,300
Internet expenses	-	-	-	253,988	(168,558)	85,430
Total operating expenses	151,360	41,272	2,982,074	323,987	(168,558)	3,330,135
Operating (Loss) Income	(143,474)	(41,272)	759,258	272,763	-	847,275
Nonoperating Income (Expense)						
Interest income	-	-	14	-	-	14
Dividend income	29	4,486	253,013	-	-	257,528
Other income	-	-	1,435	10,066	-	11,501
Amortization of deferred loan fees	-	(13,500)	-	-	-	(13,500)
Investment in subsidiary	-	1,057,754	-	-	(1,057,754)	-
Equity in earnings of investee	-	-	348,426	-	-	348,426
Total nonoperating income	29	1,048,740	602,888	10,066	(1,057,754)	603,969
(Loss) Income Before Interest Expense and Income Taxes	(143,445)	1,007,468	1,362,146	282,829	(1,057,754)	1,451,244
Interest Expense	-	152,042	26,700	-	-	178,742
(Loss) Income Before Income Taxes	(143,445)	855,426	1,335,446	282,829	(1,057,754)	1,272,502
Income Tax Expense	(41,491)	(77,411)	452,309	108,212	-	441,619
Net (Loss) Income	$ (101,954)	$ 932,837	$ 883,137	$ 174,617	$ (1,057,754)	$ 830,883

	ICTC Group, Inc.	Lynch Telephone II	Inter-Community Telephone Company	Valley Communications, Inc.	Eliminations	Consolidated
Operating Activities						
Net (loss) income	$ (101,954)	$ 932,837	$ 883,137	$ 174,617	$ (1,057,754)	$ 830,883
Adjustments to reconcile net (loss) income to net cash from operating activities:						
Subsidiary earnings	-	(1,057,754)	-	-	1,057,754	-
Depreciation and amortization	-	50,116	686,509	34,524	-	771,149
Earnings from equity investments	-	-	(348,426)	-	-	(348,426)
Deferred income taxes	-	(14,188)	229,621	-	-	215,433
	(101,954)	(88,989)	1,450,841	209,141	-	1,469,039
Change in current assets and liabilities	109,709	521,598	(618,374)	(172,591)	-	(159,658)
Net Cash from Operating Activities	7,755	432,609	832,467	36,550	-	1,309,381
Investing Activities						
Purchase of property and equipment	-	-	(917,156)	(36,550)	-	(953,706)
Dividends received - equity investments	-	-	130,857	-	-	130,857
Net Cash used for Investing Activities	-	-	(786,299)	(36,550)	-	(822,849)
Financing Activities						
Advances on long-term debt	-	141,000	-	-	-	141,000
Principal payments on long-term debt	-	(432,609)	-	-	-	(432,609)
Net Cash used for Financing Activities	-	(291,609)	-	-	-	(291,609)
Net Change in Cash and Cash Equivalents	7,755	141,000	46,168	-	-	194,923
Cash and Cash Equivalents Beginning of year	132,325	-	323,123	-	-	455,448
End of year	$ 140,080	$ 141,000	$ 369,291	$ -	$ -	$ 650,371
Supplementary Disclosures of Cash Flow Information						
Cash payments for interest	$ -	$ 152,042	$ 26,700	$ -	$ -	$ 178,742
Cash payments for income taxes	$ -	$ -	$ 235,000	$ -	$ -	$ 235,000