Consolidated Financial Statements
December 31, 2012 and 2011

ICTC Group, Inc. and Subsidiaries

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ICTC Group, Inc.
Nome, North Dakota

We have audited the accompanying consolidated balance sheet of ICTC Group, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. ICTC Group, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial position of ICTC Group, Inc. and subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota
April 18, 2013

Olsen Thielen & Co., Ltd.

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	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 2,320,250	$ 650,371
Accounts receivable, net of allowances of $1,000 in 2012 and 2011	312,240	319,698
Materials and supplies	53,691	46,797
Deferred income taxes	62,174	67,131
Prepaid income taxes	-	120,705
Prepayments	75,557	147,225
Total current assets	2,823,912	1,351,927
Noncurrent Assets		
Other investments	238,265	238,265
Equity method investments	1,486,392	1,269,333
Goodwill	1,772,179	1,772,179
Deferred loan fees	-	66,375
Total noncurrent assets	3,496,836	3,346,152
Telecommunications Plant		
In service	22,663,624	21,342,930
Under construction	82,698	2,875
	22,746,322	21,345,805
Less accumulated depreciation and amortization	16,886,712	16,204,163
Net plant	5,859,610	5,141,642
Total assets	$ 12,180,358	$ 9,839,721

See Notes to Consolidated Financial Statements

	2012	2011
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 108,782	$ 129,397
Current maturities of long-term debt	-	88,000
Accrued income taxes	194,732	-
Other current liabilities	284,338	303,045
Total current liabilities	587,852	520,442
Long-Term Debt	2,071,800	2,513,784
Other Liabilities		
Deferred income taxes	2,232,734	2,100,250
Total liabilities	4,892,386	5,134,476
Commitments and Contingencies (Note 8)		
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: 404,426 and 324,426	40	32
Class B: $.0001 par value; 9,000,000 shares authorized		
No shares outstanding	-	-
Additional paid in capital	1,759,992	-
Retained earnings	5,527,940	4,705,213
Total stockholders' equity	7,287,972	4,705,245
Total liabilities and stockholders' equity	$ 12,180,358	$ 9,839,721

See Notes to Consolidated Financial Statements

	2012	2011
Operating Revenues		
Local telephone service revenue	$ 557,107	$ 570,031
Universal Service Funding and access revenue	2,400,388	2,555,510
Internet revenue	520,875	499,801
Facility lease revenue	481,225	440,354
Miscellaneous revenue	118,447	121,780
Total operating revenues	4,078,042	4,187,476
Operating Expenses		
Plant operations, excluding depreciation	1,393,545	1,349,032
Depreciation	755,332	757,649
Customer operations	178,424	227,140
Corporate operations	910,436	893,584
Operating taxes - other	30,355	17,300
Internet expenses	56,061	85,430
Total operating expenses	3,324,153	3,330,135
Operating Income	753,889	857,341
Nonoperating Income (Expense)		
Dividend income	206,341	257,542
Other income (loss)	2,245	1,435
Amortization of deferred loan fees	(66,375)	(13,500)
Earnings from equity investments	443,535	348,426
Total nonoperating income	585,746	593,903
Income Before Interest Expense and Income Taxes	1,339,635	1,451,244
Interest Expense	151,359	178,742
Income Before Income Taxes	1,188,276	1,272,502
Income Tax Expense	365,549	441,619
Net Income	$ 822,727	$ 830,883

	Preferred Stock Class A	Common Stock Class A	Common Stock Class B	Additional paid in Capital	Retained Earnings	Total
Balance, January 1, 2011	$ -	$ 32	$ -	$ -	$3,874,330	$ 3,874,362
Net income	-	-	-	-	830,883	830,883
Balance, December 31, 2011	-	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

	2012	2011
Operating Activities		
Net income	$ 822,727	$ 830,883
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	821,707	771,149
Earnings from equity investments	(443,535)	(348,426)
Deferred income taxes	137,441	215,433
Distributions received - equity investments	226,476	130,857
Change in current assets and current liabilities		
Accounts receivable	7,458	19,131
Materials and supplies	(6,894)	(12,262)
Prepayments	71,668	21,136
Prepaid income taxes	120,705	(74,050)
Accounts payable	(20,615)	(77,021)
Accrued income taxes	194,732	-
Other current liabilities	(18,707)	(36,592)
Net Cash from Operating Activities	1,913,163	1,440,238
Investing Activities		
Purchase of property and equipment	(1,473,299)	(953,706)
Net Cash used for Investing Activities	(1,473,299)	(953,706)
Financing Activities		
Proceeds from issuance of common stock	1,760,000	-
Advances on long-term debt	530,000	141,000
Principal payments on long-term debt	(1,059,985)	(432,609)
Net Cash from (used for) Financing Activities	1,230,015	(291,609)
Net Change in Cash and Cash Equivalents	1,669,879	194,923
Cash and Cash Equivalents, Beginning of Year	650,371	455,448
Cash and Cash Equivalents, End of Year	$ 2,320,250	$ 650,371

Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	$ 151,359	$ 178,742
Cash (refunds) payments for income taxes	$ (87,326)	$ 300,235

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 37% of its revenues from NECA and the Federal Universal Service Fund during the years ended December 31, 2012 and 2011. The Company also received approximately 22% and 24% of its revenues from other access revenues during the years ended December 31, 2012 and 2011, 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, 2012 and 2011 and determined that there was no impairment at that time. There were no accumulated impairment losses as of December 31, 2012 and 2011.

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

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, 2012 and 2011.

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, 2012 and 2011, 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 2009.

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 2012 and 2011 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, 2012 and 2011.

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, 2012 and 2011.

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statement presentation in order to conform to the 2012 consolidated financial statement presentation. The reclassifications had no effect on net income.

Recent Accounting Pronouncements

In September 2011, the FASB issued ASU 2011-09, "Disclosures about an Employer's Participation in a Multiemployer Plan." This update amends ASC 715-80, "Compensation—Retirement Benefits—Multiemployer Plans" to require additional disclosures about an employer's participation in a multiemployer pension plan including additional information about the plans, the level of an employer's participation in the plans and the financial health of significant plans. This update does not change the accounting for multiemployer pension plans. The amendments in this update are effective for fiscal years ending after December 15, 2011. The required additional disclosures are included in Note 7, "Pension and Retirement Plans."

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

	2012	2011
National Information Solutions Cooperative (NISC)		
Patronage capital allocations	$ 78,869	$ 78,869
Cellular corporation interests - at cost	144,128	144,128
Other	15,268	15,268
	$ 238,265	$ 238,265

During the years ended December 31, 2012 and 2011, the Company received dividends from the cellular corporations of approximately $200,000 and $252,000, respectively.

Note 3 - Equity Method Investments

	2012	2011
Dakota Carrier Network, LLC (3.433% ownership at equity)	$ 1,486,392	$ 1,269,333

The Company recognized equity earnings from Dakota Carrier Network, LLC of $443,535 and $348,426 during the years ended December 31, 2012 and 2011.The Company received distributions from Dakota Carrier Network, LLC of $226,476 and $130,857 during the years ended December 31, 2012 and 2011. 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 $457,000 and $402,000 for the use of the Company's network during 2012 and 2011, 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, 2012 and 2011, is as follows:

	2012	2011
Assets		
Current assets	$ 4,301,705	$ 4,657,780
Other assets	2,182,196	2,284,635
Property, net	38,185,139	32,068,394
	$ 44,669,040	$ 39,010,809
Liabilities and Members' Equity		
Current liabilities	$ 1,369,770	$ 2,034,537
Members' equity	43,299,270	36,976,272
	$ 44,669,040	$ 39,010,809
Operations		
Revenues	$ 44,490,965	$ 38,029,578
Expenses	31,570,608	27,879,795
Net income	$ 12,920,357	$ 10,149,783

Note 4 - Telecommunications and Other Plant

	2012		2011	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Land and support assets	$ 2,236,600	2.9 - 20.0%	$ 2,213,240	2.9 - 20.0%
Central office switching equipment	6,408,884	6.67 - 20.0%	6,297,073	6.67 - 20.0%
Cable and wire facilities	13,669,406	3.9 - 6.67%	12,483,883	3.9 - 6.67%
Internet equipment	348,734	15%	348,734	15%
Total in service	22,663,624		21,342,930	
Under construction	82,698		2,875	
	$ 22,746,322		$ 21,345,805	

Note 5 - Long-Term Debt

	2012	2011
CoBank		
Revolving line of credit	$ -	$ 529,984
Former shareholder loans maturing December 31, 2022	2,071,800	2,071,800
	2,071,800	2,601,784
Less current maturities	-	88,000
	$ 2,071,800	$ 2,513,784

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 the CoBank loan on January 31, 2012. The credit facility is secured by certain assets owned by the Company. The line of credit accrues 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. The term loan was paid off as of December 31, 2012 and there is no outstanding balance on the line of credit as of December 31, 2012.

The Company has subordinated notes with former shareholders for $2,071,800 as of December 31, 2012 and 2011. 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.

There are no scheduled principal repayments on the Company's debt for the next five years.

Note 6 - Income Tax Expense and Deferred Taxes

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

	2012	2011
Current taxes payable		
Federal	$ 187,037	$ 177,981
State	41,071	48,205
	228,108	226,186
Deferred income tax	137,441	215,433
Total provision for income taxes	$ 365,549	$ 441,619

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

	2012	2011
Tax at U.S. statutory rate	35.0%	35.0%
Surtax exemption	-1.0%	-1.0%
State income taxes, net of federal benefit	3.5%	3.5%
Dividends received deduction	-4.0%	-4.7%
Other	-2.7%	1.9%
	30.8%	34.7%

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

	2012	2011
Vacation and compensated absences	$ 61,794	$ 66,741
Other	380	390
Deferred current income tax asset	$ 62,174	$ 67,131
Telecommunications plant depreciation	$ 1,290,024	$ 1,156,319
Federal and state loss carryforwards	(1,483,374)	(1,486,113)
Goodwill and intangibles amortization	761,044	775,232
Equity investments	181,666	168,699
Net long-term deferred tax (asset) liability before valuation allowance	749,360	614,137
Valuation allowance	1,483,374	1,486,113
Net deferred long-term income tax liability	$ 2,232,734	$ 2,100,250

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 7 - 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 2012 and 2011 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 $78,000 in 2012 and $132,000 in 2011. 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 2011 and 2012 contributions above include surcharges of approximately $21,000 and $24,000.

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, 2011 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 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.

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, 2012 and 2011, 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, 2012 and 2011 was approximately $44,000 and $8,500.

Note 8 - Commitments and Contingencies

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 2013. The project will be 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's capital budget for 2013 includes the above project and $800,000 in other capital improvements that will be financed through internally generated funds.

Note 9 - Subsequent Events

The Company has evaluated subsequent events through April 18, 2013, the date which the consolidated financial statements were available to be issued.

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.