TC00-168

TC00-168

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TC00-168

DOCKET NO.

In the Matter of IN THE MATTER OF THE APPLICATION OF IDT AMERICA, CORP. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
10/5	00	Filed and Docketed;
10/12	00	Weekly Filing;
10/18	00	Revised Tariff Pages;
11/9	00	Revised Tariff Pages;
12/5	00	Surety Bond;
1/10	01	Order Granting COA;
1/10	01	Docket Closed

TC00-168 + TC0...

IDT America, Corp.
520 Broad Street
Newark, New Jersey 07102-3111

December 13, 2006

Via Overnight Mail

Ms. Patricia Van Gerpen
Executive Director
SD Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070

Re: IDT America, Corp. – Indemnity Bond

Dear Director Van Gerpen,

IDT America, Inc. ("IDT"), a provider of telecommunications service in South Dakota, is hereby submitting new indemnity bond to replace the one previously on file with the Commission.

Please contact me at (973) 438-4491 or ana.bataille@corp.idt.net with any questions or concerns regarding this matter.

Sincerely,

Ana Bataille
Regulatory

Enclosure

RECEIVED
DEC 1 5 2006
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

INDEMNITY BOND
TO THE
PEOPLE OF THE STATE OF SOUTH DAKOTA

Bond. No. CMS-233084

We, IDT America, Corp., the principal and applicant for a CERTIFICATE OF AUTHORITY to provide telecommunications services within the State of South Dakota, and RLI INSURANCE COMPANY, as an admitted surety insurer, bind ourselves unto the Public Utilities Commission of the State of South Dakota and the consumers of South Dakota as Obligee, in the sum of $25,000.00.

The conditions of the obligation are such that the principal, having been granted such CERTIFICATE OF AUTHORITY subject to the provision that said principal purchase this Indemnity Bond, and if said principal shall in all respects fully and faithfully comply with all applicable provisions South Dakota State Law, and reimburse customers of IDT America, Corp. for any prepayment or deposits they have made which may be unable or unwilling to return to said customers as a result of insolvency or other business failure, they this obligation shall be void, discharges and forever exonerated, otherwise to remain in full force and effect.

This bond shall take effect as of the date heron and shall remain in force and effect until the surety is released from liability by the written order of the Public Utilities Commission, provided that the surety may cancel this Bond and be relieved of further liability hereunder by delivering thirty (30) days written notice to the Public Utilities Commission. Such cancellation shall not affect any liability incurred or accrued hereunder prior to the termination of said thirty (30) day period.

Dated this 21ST day of NOVEMBER, 2006
To be effective this 21ST day of NOVEMBER, 2006

IDT America, Corp.

By: [signature]
James A. Courter, President

Countersigned this 13TH day of DEC. 2006

RLI INSURANCE COMPANY

Countersigned for South Dakota

By: N/A
Resident Agent

By: [signature]
ROBERT P. SCAVETTA
ATTORNEY-IN-FACT

Individual Acknowledgment

County of ______________________ } ss.

On this ______________ day of ______________________, 20____, before me personally

____ to me known, and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

My commission expires ______________________ ______________________ Notary Public

---

Firm Acknowledgment

State of ______________________ }
County of ______________________ } ss.

On this ______________ day of ______________________, 20____, before me personally came ____ to me known and known to me to be a member of the firm of ____ described in and who executed the foregoing instrument, and he thereupon acknowledged to me that he executed the same as and for the act and deed of said firm.

My commission expires ______________________ ______________________ Notary Public

---

Corporation Acknowledgment

State of NEW JERSEY }
County of ESSEX } ss.

On this 13TH day of DECEMBER, 2006, before me personally came JAMES COURTER, to me known, who being by me duly sworn, did depose and say that he is the PRESIDENT of IDT AMERICA, CORP. the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

My commission expires WENDY MOREANO A Notary Public of New Jersey My Commission Expires 9/21/08

Wendy Moreano
Notary Public

Surety Acknowledgment

State of NEW YORK }
County of WESTCHESTER } ss.

On this 21ST day of NOVEMBER, 2006, before me personally came ROBERT P. SCAVETTA to me known, who, being by me duly sworn, did depose and say that he is an attorney-in-fact of RLI INSURANCE COMPANY the corporation described in and which executed the within instrument; that he knows the corporate seal of said corporation; that the seal affixed to the within instrument is such corporate seal, and that he signed the said instrument and affixed the said seal as Attorney-in-Fact by authority of the Board of Directors of said corporation and by authority of this office under the Standing Resolutions thereof.

My commission expires PATRICIA A. SCAVETTA NOTARY PUBLIC, STATE OF NEW YORK APPOINTED FOR WESTCHESTER COUNTY STATE NO. 4959118 COMMISSION EXPIRES NOV. 20, 2009

Patricia A. Scavetta
Notary Public

FORM # 13

RLI

RLI Surety
A Division of RLI Insurance Company
P.O. Box 3967 Peoria, IL 61612-3967
Phone: 309-692-1000 Fax: 309-692-8637

RLI Insurance Company

December 31, 2005

Admitted Assets

Investments:	
Fixed maturities	$ 571,645,536
Equity securities	611,816,336
Short-term investments	16,001,776
Real estate	6,081,232
Cash on hand and on deposit	-1,965,994
Other invested assets	6,500,000
Agents' balances	54,880,790
Investment income due and accrued	7,330,537
Funds held	4,000
Reinsurance recoverable on paid losses	21,397,323
Federal income taxes receivable	0
Electronic data processing equipment, net of depreciation	1,490,986
Receivable from affiliates	0
Other admitted assets	5,088,054
Total Admitted Assets	$ 1,300,270,576

Liabilities and Surplus

Liabilities:	
Reserve for unpaid losses and loss adjustment expenses	$ 352,022,397
Unearned premiums	128,759,357
Accrued expenses	46,306,449
Funds held	605,482
Advance premiums	3,897,814
Amounts withheld	18,299,338
Ceded reinsurance premium payable	30,710,750
Payable for securities	1,990,357
Statutory penalties	4,779,400
Federal income tax payable	11,404,067
Borrowed money and accrued interest	6,254,554
Drafts outstanding	0
Payable to affiliate	3,293,020
Other liabilities	1,400,919
Total Liabilities	$ 609,723,904
Surplus:	
Common stock	$ 10,000,375
Additional paid-in capital	242,451,084
Unassigned surplus	438,095,213
Total Surplus	$ 690,546,672
Total Liabilities and Surplus	$ 1,300,270,576

State of Illinois }
County of Peoria }

*The undersigned, being duly sworn, says: That he is the President of **RLI Insurance Company**; that said Company is a corporation duly organized, in the State of Illinois, and licensed and engaged in business in the State of* SOUTH DAKOTA *__________ and has duly complied with all the requirements of the laws of said State applicable of said Company and is duly qualified to act as Surety under such laws; that said Company has also complied with and is duly qualified to act as Surety under the Act of Congress approved July 1947, 6U.S.C sec. 6-13; and that to the best of his knowledge and belief the above statement is a full, true, and correct statement of the financial condition of the said Company on the 31st day of December 2005.*

Attest:

RLI INSURANCE COMPANY CORPORATE SEAL ILLINOIS

{ Corporate Seal Affixed }

M J Stone
Michael J. Stone *President*

Cynthia S. Dohrn
Cynthia S. Dohrn *Assistant Secretary*

Sworn to before me this 8th day of February 2006.

"OFFICIAL SEAL" CHERIE L MONTGOMERY COMMISSION EXPIRES 07/07/08

{ Notarial Seal Affixed }

Cherie L Montgomery
Cherie L. Montgomery *Notary Public, State of Illinois*

M0058D05

RLI Surety
A Division of RLI Insurance Company
P.O. Box 3967 Peoria, IL 61612-3967
Phone: 309-692-1000 Fax: 309-692-8637

POWER OF ATTORNEY
RLI Insurance Company

Know All Men by These Presents:

That this Power of Attorney is not valid or in effect unless attached to the bond which it authorizes executed, but may be detached by the approving officer if desired.

That **RLI Insurance Company**, an Illinois corporation, does hereby make, constitute and appoint: ROBERT P. SCAVETTA, PATRICIA A. SCAVETTA, MONICA L. VENTORINO, JOINTLY OR SEVERALLY

in the City of Eastchester, State of New York its true and lawful Agent and Attorney-in-Fact, with full power and authority hereby conferred, to sign, execute, acknowledge and deliver for and on its behalf as Surety, the following described bond.

Any and all bonds provided the bond penalty does not exceed Ten Million Dollars ($10,000,000).

The acknowledgment and execution of such bond by the said Attorney-in-Fact shall be as binding upon this Company as if such bond had been executed and acknowledged by the regularly elected officers of this Company.

All authority hereby conferred shall expire and terminate, without notice, unless used before midnight of June 14th, 2008, but until such time shall be irrevocable and in full force and effect.

The **RLI Insurance Company** further certifies that the following is a true and exact copy of the Resolution adopted by the Board of Directors of **RLI Insurance Company**, and now in force to-wit:

"All bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation shall be executed in the corporate name of the company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer, may appoint Attorneys in Fact or Agents who shall have authority to issue bonds, policies or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

IN WITNESS WHEREOF, the **RLI Insurance Company** has caused these presents to be executed by its Vice President with its corporate seal affixed this 14th day of June, 2006.

RLI INSURANCE COMPANY CORPORATE SEAL ILLINOIS

RLI Insurance Company

By: [signature]
Roy C. Die Vice President

State of Illinois
County of Peoria } SS

On this 14th day of June, 2006, before me, a Notary Public, personally appeared Roy C. Die, who being by me duly sworn, acknowledged that he signed the above Power of Attorney as the aforesaid officer of the **RLI Insurance Company** and acknowledged said instrument to be the voluntary act and deed of said corporation.

By: Cherie L Montgomery
Cherie L. Montgomery Notary Public

"OFFICIAL SEAL"
NOTARY PUBLIC STATE OF ILLINOIS
CHERIE L. MONTGOMERY
COMMISSION EXPIRES 02/02/08

CERTIFICATE

I, the undersigned officer of **RLI Insurance Company**, a stock corporation of the State of Illinois, do hereby certify that the attached Power of Attorney is in full force and effect and is irrevocable; and furthermore, that the Resolution of the Company as set forth in the Power of Attorney, is now in force. In testimony whereof, I have hereunto set my hand and the seal of the **RLI Insurance Company** this 21ST day of NOV., 2006.

RLI Insurance Company

By: [signature]
Roy C. Die Vice President

A0058D05

3146573020208

TC00-168

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FAX (202) 424-7647
WWW.SWIDLAW.COM

New York Office
[illegible]
[illegible]
New York, NY [illegible]
[illegible]

October 4, 2000

RECEIVED
OCT 0 5 2000
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

VIA OVERNIGHT DELIVERY

William Bullard, Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Ave.
State Capitol Building, First Floor
Pierre, South Dakota 57501

Re: Application of IDT America, Corp. for Certificate of Authority to Provide Resold Interexchange Telecommunications Services Within the State of South Dakota

Dear Mr. Bullard:

Enclosed for filing on behalf of IDT America, Corp. ("IDT America") are an original and eleven (11) copies of IDT America's Application for a Certificate of Authority to Provide Resold Interexchange Telecommunications Services in South Dakota. Please find enclosed a check for $250.00, made payable to the South Dakota Public Utilities Commission, to cover the requisite filing fee.

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, postage-paid envelope attached. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Respectfully Submitted,

Kevin Minsky

William B. Wilhelm, Jr.
Kevin D. Minsky

Counsel for IDT America, Corp.

Enclosures

cc: Diane Clark (IDT America)
Carl Billek (IDT America)
Kelly A. Olson

TC00-168

RECEIVED
OCT 05 2000
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

**BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

Application of	)	
	)	
IDT America, Corp.	)	
	)	Docket No. ____________
For a Certificate of Authority to Provide	)	
Resold Interexchange Telecommunications	)	
Services within the State of South Dakota	)	

APPLICATION FOR CERTIFICATE OF AUTHORITY

IDT America, Corp. ("IDT America" or "Applicant"), by its undersigned counsel, hereby submits its Application for a Certificate of Authority to provide resold interexchange telecommunications services pursuant to Section 49-31-3 of the South Dakota Administrative Rules and the Rules of the Public Utilities Commission.

In support of this Application, pursuant to Section 20:10:24:02 of the Telecommunications Service Rules, IDT America provides the following information:

1. 20:10:24:02(1). Name, address, and telephone number of applicant. Applicant's legal name is IDT America, Corp. Applicant maintains its principal place of business at:

IDT America, Corp.
520 Broad Street
Newark, NJ 07102
Telephone: (973) 438-4485
Facsimile: (973) 438-1455

Correspondence or communications pertaining to this Application should be directed to Applicant's attorneys of record:

William B. Wilhelm, Jr.
Kevin D. Minsky
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
Telephone: (202) 424-7500
Facsimile: (202) 424-7645

with a copy to:

Diane Clark
Carl Billek
IDT America, Corp.
520 Broad Street
Newark, NJ 07102
Telephone: (973) 438-4485
Facsimile: (973) 438-1455

2. 20:10:24:02(2). Name under which applicant will provide services. Applicant will provide the proposed services under the name of "IDT America, Corp."

3. 20:10:24:02(3). Legal organization.

a. 20:10:24:02(3)(a). State of organization, date of organization, and authority to transact business in South Dakota. Applicant is a corporation organized under the laws of New Jersey on June 21, 1994. A copy of IDT America's Articles of Incorporation and Certificate of Authority to Transact Business in South Dakota are both attached hereto as Exhibit 1. Applicant is a wholly-owned subsidiary of IDT Corporation ("IDT").

b. 20:10:24:02(3)(b). Location of principal office in South Dakota and registered agent. Applicant does not currently have an office within South Dakota. IDT America's registered agent in South Dakota is:

CT Corporation System
319 S. Coteau Street
Pierre, SD 57501

c. 20:10:24:02(3)(c). Ownership and management interest. IDT America is a wholly owned subsidiary of IDT Corporation ("IDT"), a Delaware corporation that is publicly traded on the NASDAQ National Market System.

Applicant's officers and directors are as follows:

Officers

Howard S. Jonas	Chief Executive Officer & Treasurer
Howard S. Balter	Chief Operating Officer
James A. Courter	President
Marc E. Knoller	Vice President
Hal Brecher	Executive Vice President
Doug Mauro	Senior Vice President
Joyce J. Mason	Secretary
Stephen R. Brown	Chief Financial Officer

Directors

Howard S. Jonas	Chairman
Howard S. Balter	Vice Chairman
James A. Courter	
Marc E. Knoller	
Joyce J. Mason	
Stephen R. Brown	
Hal Brecher	

All officers and directors can be reached at the following address:

IDT America, Corp.
520 Broad Street
Newark, NJ 07102
Telephone: (973) 438-4485
Facsimile: (973) 438-1455

IDT America's management personnel are well qualified to execute its business plan, having extensive managerial and technical telecommunications experience. Descriptions of the telecommunications and managerial experience of Applicant's key personnel are attached hereto as Exhibit 2.

4. 20:10:24:02(4). Partnership information. Applicant is not a partnership.

5. 20:10:24:02(5). Proposed services. Applicant seeks authority to provide all forms of resold intrastate interexchange telecommunications services to and from all points within the State of South Dakota. IDT America's proposed intrastate services initially will include 1+ MTS service, 1010XXX service, prepaid calling card service, 8XX (toll-free) service, and rechargeable calling card service to and from all points within the State of South Dakota. Applicant's services will be available on a full-time basis, twenty-four (24) hours a day, seven (7) days a week. Applicant proposes initially to provide prepaid calling card services only.

6. 20:10:24:02(6). Facilities to be used to provide services. IDT America will provide resold intrastate interexchange telecommunications services over facilities leased from other carriers, the selection of which will be based upon IDT America's analysis of facility cost, suitability and quality of service. As a resale carrier, Applicant has not installed nor does it currently plan to install any equipment, plant, or facilities in the State of South Dakota. In the event IDT America subsequently formulates plans for installing any facilities in South Dakota, it will notify the Commission and comply with all regulations, as appropriate. IDT America's services will be available seven days a week, twenty-four (24) hours per day.

7. 20:10:24:02(7). Geographic area to be served. Applicant plans to provide resold interexchange telecommunications services to subscribers to and from all points in South Dakota, and, therefore, seeks statewide authorization. Since IDT America seeks to provide statewide authority, Applicant has not included a map showing proposed service areas.

8. 20:10:24:02(8). Financial qualifications and tariff. IDT America has access to the financing and capital necessary to conduct the telecommunications operations as specified in this Application. As a wholly-owned subsidiary of IDT, IDT America does not maintain its own separate

financial statements. IDT America will rely upon the significant financial resources of its parent, IDT, in providing interexchange services in South Dakota. Therefore, IDT America respectfully requests a waiver of S.D. Admin. R. 20:10:24:02(8). However, for purposes of this application, IDT America has prepared and attached hereto as Exhibit 3 a balance sheet for the period ending July 31, 1999.

IDT America also submits the most recent SEC Form 10-K and 10-Q for its parent, IDT, which is attached hereto as Exhibit 4. With access to the substantial financial resources of its parent, IDT, IDT America is financially well qualified to provide the telecommunications services proposed in this Application.

A copy of IDT America's proposed tariff containing IDT America's rates and terms and conditions of service is attached hereto as Exhibit 5.

9. <u>20:10:24:02(9). Complaint contact, regulatory contact, and handling of billing and customer service matters.</u> All inquiries regarding complaints and regulatory, billing and consumer services matter should be referred to:

Diane Clark
IDT America, Corp.
520 Broad Street
Newark, NJ 07102
Telephone: (973) 438-4485
Facsimile: (973) 438-1455
E-mail: dclark@hq.idt.net

Questions concerning the ongoing operations of IDT America following certification should be directed to Diane Clark at the above address.

Customers with service, billing and repair questions or complaints may reach IDT America at its toll-free customer service number, 1-800-691-8438, for assistance. Customers will be billed directly by Applicant or charges will be included in the subscriber's regular local telephone bill pursuant to billing and collection agreements established by Applicant with the applicable local telephone company. Applicant will render bills monthly and payment is due within thirty (30) days of receipt.

10. 20:10:24:02(10). Current authority to provide service. Applicant is certified to provide resold intrastate interexchange service in 48 states. IDT America has not been denied authorization to provide service in any state and is in good standing in every state where it holds such authorization.

11. 20:10:24:02(11). Marketing. IDT America will market its service through a combination of print media and point-of-presence advertising in markets where Applicant provides prepaid services. Applicant does not intend to engage in telemarketing or multi-level marketing. Applicant does not currently have available any marketing materials.

12. 20:10:24:02(12). Cost support. The services that IDT America has proposed herein are competitive services; therefore, IDT America has not provided cost support for the rates shown in its tariff.

13. 20:10:24:02(13). Federal tax identification number. Applicant's federal tax identification number is 223312697.

14. 20:10:24:02(14). Slamming and cramming complaints. IDT America is not aware of any complaints against Applicant in any jurisdiction regarding the unauthorized switching of a

customer's telecommunications provider or the act of charging customers for services that have not been ordered.[1]

15. 20:10:24:02(16). Other information. The entry of IDT America into the telecommunications business in South Dakota will serve the public interest by creating greater competition in the interexchange marketplace and permitting customers to achieve increased efficiencies and cost savings. IDT America's proposed intrastate services will enhance the services available to consumers and increase consumer choice through innovative, diversified, and reliable service offerings. Consumers will benefit both directly as a result of the competitively priced service options available from IDT America and also indirectly as IDT America's presence increases the incentives for other telecommunications providers to operate more efficiently, reduce prices, and offer more innovative services. Approval of this Application, therefore, will serve the public interest.

---

[1] IDT America is working with the Commission to resolve an informal customer complaint referenced in a letter sent to Applicant's parent, IDT, on September 18, 2000 by Charlene Lund of the Commission's staff.

WHEREFORE, IDT America, Corp. requests that the South Dakota Public Utilities Commission grant the requested Application authorizing it to provide resold intrastate interexchange telecommunications services in the State of South Dakota.

Respectfully submitted,

William B. Wilhelm, Jr.
Kevin D. Minsky
SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
Telephone: (202) 424-7500
Facsimile: (202) 424-7645

Counsel for IDT America, Corp.

Dated: October 4, 2000

LIST OF EXHIBITS

EXHIBIT 1	Certificate of Incorporation and Certificate of Authority to Transact Business
EXHIBIT 2	Management Qualifications
EXHIBIT 3	IDT America's Balance Sheet
EXHIBIT 4	Financial Statement of Applicant's Parent, IDT Corporation
EXHIBIT 5	Proposed Tariff
VERIFICATION	

EXHIBIT 1

Certificate of Incorporation and
Certificate of Authority to Transact Business As a Foreign Corporation

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

FILE[D]

JUN 24 1994

LONNA R. HOO[PER]
Secretary of Sta[te]

CERTIFICATE OF INCORPORATION

OF

IDT AMERICA, CORP.

The undersigned, of the age of eighteen (18) years or over, for the purpose of forming a corporation pursuant to the provisions of Title 14A, corporations, General, of the statutes of the State of New Jersey, does hereby execute the following Certificate of Incorporation:

FIRST: The name of the corporation is:
IDT AMERICA, CORP.

SECOND: The purpose or purposes for which this corporation is organized are:

To conduct all activities set forth and permitted under and by virtue of the terms, conditions and provisions of Title 14A, "New Jersey business Corporation Act."

THIRD: The aggregate number of shares which the corporation shall have authority to issue is ten thousand (10,000) shares, no par value.

FOURTH: The address of the corporation's initial registered office is 1506 West Terrace Circle
Unit #6
Teaneck, NJ 07666

FIFTH: The name of the corporation's initial registered agent at such address is: David Barth
1506 West Terrace Circle
Unit #6
Teaneck, NJ 07666

SIXTH: The number of directors constituting the initial Board of Directors shall be three (3).

SEVENTH: The name and address of each person who shall serve as Directors are as follows:

Howard Jonas, 3220 Arlington Avenue, Riverdale, NY 10463

Deborah Jonas, 3220 Arlington Avenue, Riverdale, NY 10463

Joyce J. Mason, 170 W. 23rd Street, New York, NY 10011

EIGHTH: The period of existence of this corporation is unlimited.

NINTH: A director shall not be personally liable to the corporation or its shareholders for damages for breach of any duty owed to the corporation or its shareholders; except that this provision shall not relieve a director from liability for any breach of duty based upon an act or omission (a) in breach of such person's duty of loyalty to the corporation or its shareholders, (b) not in good faith or involving a knowing violation of law or (c) resulting in receipt by such person of an improper personal benefit.

IN WITNESS WHEREOF, the undersigned incorporator has hereunto subscribed his name this 21th day of June, 1994.

Howard Jonas - Incorporator
3220 Arlington Avenue
Riverdale, NY 10463

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of IDT AMERICA, CORP. (NJ) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of IDT AMERICA, CORP.

STATE OF SOUTH DAKOTA · GREAT SEAL · 1889

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this May 8, 1998.

JOYCE HAZELTINE
Secretary of State

SECRETARY OF STATE
STATE CAPITOL
500 E. CAPITOL
PIERRE, S.D. 57501-5077
605-773-4845
FAX (605) 773-4550

FILE NO
RECEIPT NO

MAY 08 199

APPLICATION FOR CERTIFICATE OF AUTHORITY

Pursuant to the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statements:

(1) The name of the corporation is IDT America, Corp.
(Exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is

(3) State where incorporated New Jersey Federal Taxpayer ID# 22-3312697

(4) The date of its incorporation is June 24, 1994 and the period of its duration, which may be perpetual, is Perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is

294 State Street, Hackensack, New Jersey Zip Code 07601

mailing address if different from above is: Same

Zip Code

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is c/o C T Corporation System, 319 S. Coteau Street, Pierre, South Dakota Zip 57501
and the name of its proposed registered agent in the State of South Dakota at that address is

C T Corporation System

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose) Provision of telecommunications services

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
See attached list of directors and					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
10,000 ~~1,000,000~~	Common Stock	(No series)	No par value

(10) The aggregate number o. .s issued shares, itemized by classes, ... value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	Common Stock	(No series)	No par value

(11) The amount of its stated capital is $ 100,000

Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the secretary of state or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS TRUE AND CORRECT.

Dated April 10, 1998

Jim Courter
(Signature) Jim Courter

President
(Title)

State of New Jersey
County of Bergen

On this 10th day of April, 1998 before me Diane Clark personally appeared Jim Courter known to me, or proved to me, to be the President of the corporation that is described in and that executed the within instrument and acknowledged to me that such corporation executed same.

My Commission Expires: ______________

Diane Clark
(Notary Public)
Attorney at Law
State of New Jersey

Notarial Seal

****

The Consent of Appointment below must be signed by the registered agent listed in number six.

CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, C T Corporation System, hereby give my consent to serve as the
(name of registered agent)

registered agent for IDT America, Corp.
(corporate name)

Dated April 17, 1998

C T CORPORATION SYSTEM
(Signature of Registered Agent)

Rider to Application for Certificate of Authority
of
IDT America, Corp.

Item 8.

Howard Jonas	Director, CEO, Treasurer	3220 Arlington Ave., Riverdale, NY 10463
Howie Balter	Director, COO	1024 Read Lane, Far Rockaway, NY 11691
Joyce J. Mason	Director, Secretary	309 Carroll Ave., Mamaroneck, NY 10543
Mark Knoller	Director, Vice President	611 W. 239th Street, Riverdale, NY 10463
Hal Brecher	Director, Exec. Vice President of Operations	609 Meehan Ave., Far Rockaway, NY 11691
Jim Courter	Director, President	19 Reese Avenue, Hackettstown, NJ 07840

EXHIBIT 2

Management Qualifications

Managerial and Technical Qualifications of Key Personnel for Applicant

Managerial Qualifications

Howard S. Jonas founded IDT Corporation in August 1990 and has served as Chairman of the Board and Treasurer since its inception and as Chief Executive Officer since December 1991. He served as President of the Company from December 1991 through September 1996. Mr. Jonas is also the founder and has been President of the Jonas Publishing Corp. ("Jonas Publishing"), a publisher of trade directories, since its inception in 1979. Mr. Jonas received a B.A. in Economics from Harvard University.

Howard S. Balter has served as Chief Operating Officer of the Company since 1993 and served as the Company's Chief Financial Officer from 1993 to May 1995. Mr. Balter has been a director of the Company since December 1995 and became Vice Chairman of the Board in October 1996. From 1985 to 1993, Mr. Balter operated his own real estate development firm. Mr. Balter holds a B.A. in Mathematics and Computers from Yeshiva University and attended New York University School of Business.

James Courter joined the Company as President in October 1996 and has been a director of the Company since March 1996. Mr. Courter has been a senior partner in the New Jersey law firm of Courter, Kobert, Laufer & Cohen since 1972. He was also a partner in the Washington, D.C. law firm of Verner, Liipfert, Bernhard, McPherson & Hand from January 1994 to September 1996. Mr. Courter was a member of the U.S. House of Representatives for 12 years, retiring in January 1991. From 1991 to 1994, Mr. Courter was Chairman of the President's Defense Base Closure and Realignment Commission. Mr. Courter also serves on the Board of Directors of Envirogen, Inc. He received a B.A. from Colgate University and a J.D from Duke University Law School.

Stephen R. Brown joined the Company as its Chief Financial Officer in May 1995. From 1985 to May 1995, Mr. Brown operated his own public accounting practice servicing medium-sized corporations as well as high net-worth individuals. Mr. Brown received a B.A. in Economics from Yeshiva University and a B.B.A. in Business and Accounting from Baruch College.

Joyce J. Mason has been a director of the Company since March 1996. Ms. Mason has served as Secretary of the Company since its inception and as a director of the Company's predecessor since its inception to March 1996. Ms. Mason has been in private legal practice since August 1995. Ms. Mason received a B.A. from the City University of New York and a J.D. from New York Law School. Ms. Mason is Mr. Jonas's sister.

Marc E. Knoller has been a director of the Company since March 1996. Mr. Knoller joined the Company as its Vice President in March 1991 and also served as a director of its predecessor since such time. From 1988 until March 1991, Mr. Knoller was director of national sales for Jonas Publishing. Mr. Knoller received a B.B.A. from Baruch College

Hal Brecher has served as the Company's Executive Vice President of Operations since he joined the Company in November 1996, and became a director of the Company in April 1997. Prior to joining the Company, Mr. Brecher was the Executive Vice President of a direct marketing firm. He holds a B.S. in Computer Science from Brooklyn College, and an M.B.A. from the Wharton School of the University of Pennsylvania.

EXHIBIT 3

IDT America's Balance Sheet

IDT America
Balance Sheet
For Period Ending: 07/31/99

Cash		100,000
Trade notes and accounts receivable (net)		366,227
Property & Equipment		135,938
Other Assets		73,245
Total Assets	$	678,410
Other Current Liabilities		27,000
Interco-payable		510,343
Stockholders Equity		141,147
Total Laibility & Shareholders Equity	$	678,410

EXHIBIT 4

Financial Statement of Applicant's Parent, IDT Corporation

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PUBLIC DOCUMENT COUNT: 3
CONFORMED PERIOD OF REPORT: 20000430
FILED AS OF DATE: 20000614

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME: IDT CORP
CENTRAL INDEX KEY: 0001005731
STANDARD INDUSTRIAL CLASSIFICATION: [7373]
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IRS NUMBER: 223415036
STATE OF INCORPORATION: DE
FISCAL YEAR END: 0731
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FILING VALUES:
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SEC FILE NUMBER: 000-27898
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BUSINESS ADDRESS:
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CITY: HACKENSACK
STATE: NJ
ZIP: 07601
BUSINESS PHONE: 2019281000
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended April 30, 2000

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-27898

IDT CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	22-3415036
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
520 Broad Street, Newark, New Jersey	07102
(Address of Principal Executive Office)	(Zip Code)

(201) 928-1000
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address, and Former Fiscal Year, if Changed Since Last Report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Common Stock, $.01 par value - 26,905,041 shares as of June 13, 2000
Class A Common Stock, $.01 par value - 9,969,733 shares as of June 13, 2000
(Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date)
<PAGE>

IDT CORPORATION

Table Of Contents

<TABLE>
<CAPTION>

PART I. FINANCIAL INFORMATION

<S>

</TABLE>

<PAGE>

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

IDT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE>
<CAPTION>

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	April 30, 20[illegible] (Unaudited)
Assets	
Current assets:	
Cash and cash equivalents	$ [illegible]
Marketable securities	[illegible]
Accounts receivable, net	[illegible]
Investments - short term	[illegible]
Investment in Terra Networks	[illegible]
Notes receivable - current portion	[illegible]
Other current assets	[illegible]
Total current assets	[illegible]
Property, plant and equipment, at cost, net	[illegible]
Trademark, net	[illegible]
Notes receivable - long-term portion	[illegible]
Goodwill, net	[illegible]
Marketable securities - long term	[illegible]
Investments - long term	[illegible]
Deferred tax assets, net	--
Other assets	[illegible]
Total assets	$ [illegible]
Liabilities and stockholders' equity	
Current liabilities:	
Trade accounts payable	$ [illegible]
Accrued expenses	[illegible]
Deferred revenue	[illegible]
Notes payable -- current portion	[illegible]
Capital lease obligations -- current portion	[illegible]
Total current liabilities	[illegible]
Deferred tax liabilities, net	[illegible]
Notes payable -- long-term portion	[illegible]
Capital lease obligation -- long-term portion	[illegible]
Total liabilities	[illegible]
Minority interests	[illegible]
Commitments and contingencies	
Stockholders' equity:	
Preferred stock, $.01 par value: authorized shares - 10,000,000; no shares issued	--
Common stock, $.01 par value: authorized shares - [illegible]; 24,759,070 and 23,982,854 shares issued and outstanding at April 30, 2000 and July 31, 1999, respectively	[illegible]
Class A stock, $.01 par value; authorized shares - [illegible]; 9,969,733 and 10,029,758 shares issued and outstanding at April 30, 2000 and July 31, 1999, respectively	[illegible]
Loans to stockholders	[illegible]
Additional paid-in capital	[illegible]
Accumulated other comprehensive income consisting of unrealized appreciation of investments, net of deferred taxes	[illegible]
Accumulated earnings (deficit)	[illegible]
Total stockholders' equity	[illegible]
Total liabilities and stockholders' equity	$ [illegible]

</TABLE>

See notes to condensed consolidated financial statements

<PAGE>

IDT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

	Nine Months Ended April 30,	
	2000	1999
<S>	<C>	<C>
Revenue	$ 822,050	$ 485,770
Costs and expenses:		
Direct cost of revenue	661,617	377,849
Selling, general and administrative	176,683	70,772
Depreciation and amortization	24,420	18,637
Total costs and expenses	862,720	467,258
Income (loss) from operations	(40,670)	18,512
Interest and other, net	463,613	(9)
Income before income taxes, minority interests and extraordinary item	422,943	18,503
Provision for income taxes	183,845	6,897
Minority interests	(15,992)	2,605
Income before extraordinary item	255,090	9,001
Extraordinary loss on retirement of debt, net of income taxes	2,976	—
Net income	$ 252,114	$ 9,001
Income per share:		
Income before extraordinary item:		
Basic	$ 7.43	$ 0.27
Diluted	$ 6.87	$ 0.25
Extraordinary loss on retirement of debt, net of income taxes:		
Basic	$ (0.09)	$ —
Diluted	$ (0.08)	$ —
Net income:		
Basic	$ 7.34	$ 0.27
Diluted	$ 6.79	$ 0.25
Weighted average number of shares used in calculation of		

earnings per share - basic	34,334,185	[illegible]
Weighted average number of shares used in calculation of earnings per share - diluted	37,117,422	[illegible]

</TABLE>

See notes to condensed consolidated financial statements

<PAGE>

IDT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

<TABLE>
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	Nine Months Ended April 30,		Th[illegible]
	2000	1999	
<S>	<C>	<C>	
Net income	$252,114	$ 9,001	
Other comprehensive income:			
Change in unrealized appreciation of investments, net of deferred taxes	7,196	--	
Other comprehensive income	7,196	--	
Comprehensive income	$259,310	$ 9,001	

</TABLE>

See notes to condensed consolidated financial statements

<PAGE>

IDT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Nine Months Ended April 3[illegible]	
	2000	1999
<S>	<C>	<C>
Net cash used in operating activities	$ ([illegible])	$ ([illegible])

Investing activities		
Net proceeds from sale of Net2Phone common stock	115,434	--
Net collection (issuance) of notes receivable	10,959	(11,840)
Purchases of investments, net	(40,881)	(52,433)
Purchases of property, plant and equipment	(55,510)	(32,988)
Net purchases of marketable securities	(59,748)	--
Net cash used in investing activities	(29,746)	(88,397)
Financing activities		
Proceeds from offerings of common stock by Net2Phone	261,189	--
Proceeds from exercise of stock options for Net2Phone	8,781	--
Proceeds from exercise of stock options	5,632	3,228
Proceeds from minority investment in subsidiary	5,000	--
Proceeds from exercise of warrants	--	738
Distributions to minority shareholder	(2,518)	(4,891)
Repayment of capital lease obligations	(4,549)	(3,742)
Repayment of borrowings	(111,345)	(2,374)
Net cash provided by (used in) financing activities .	162,190	(6,893)
Net increase (decrease) in cash and cash equivalents	47,318	(95,264)
Cash and cash equivalents, beginning of period	52,905	115,283
Cash and cash equivalents, end of period	$ 100,223	$ 20,019
Supplemental disclosures of cash flow information		
Interest paid	$ 8,718	$ 10,419
Income taxes paid	$ 1,088	$ --

</TABLE>

See notes to condensed consolidated financial statements

<PAGE>

IDT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1--Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of IDT Corporation and subsidiaries (collectively "the Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The condensed consolidated financial statements include the accounts of IDT and all companies in which IDT has a controlling voting interest including Union Telecard Alliance, LLC ("Union") and Net2Phone, Inc. ("Net2Phone"), as if IDT and its subsidiaries were a single company. Significant intercompany accounts and transactions between the consolidated companies have been eliminated. Operating results for the three and nine month periods ended April 30, 2000 are not necessarily indicative of the results that may be expected for the year ending July 31, 2000. The balance sheet at July 31, 1999 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended July 31, 1999, as filed with the Securities and Exchange Commission.

Note 2 - Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in fiscal years beginning after June 15, 2000. The Company believes that the adoption of this standard will not have a material effect on the Company's consolidated results of operations or financial position due to its limited use of derivative instruments.

Note 3--Business Segment Information

Operating results and other financial data presented for the principal business segments of the Company are as follows ($ in thousands):

<TABLE>
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	Wholesale Telecommunications Services	Retail Telecommunications Services	Internet Services
Three months ended April 30, 2000			
<S>	<C>	<C>	<C>
Total segment revenue	$ 127,880	$ 124,583	$ 3,446
Less: revenues between segments .	6,099	445	150
Total unaffiliated revenue	121,781	124,138	3,296
Income (loss) from operations ...	5,717	(5,667)	(3,971)
Three months ended April 30, 1999			
Total segment revenue	$ 75,381	$ 103,889	$ 4,367
Less: revenues between segments .	--	--	150
Total unaffiliated revenue	75,381	103,889	4,217
Income (loss) from operations ...	4,285	3,584	(2,111)

</TABLE>

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IDT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

<TABLE>
<CAPTION>

	Wholesale Telecommunications Services	Retail Telecommunications Services	Internet Services
Nine months ended April 30, 2000			
<S>	<C>	<C>	<C>
Total segment revenue	$ 401,649	$ 391,311	$ 10,296

Less: revenues between segments .	14,380	1,582	450	[illegible]
Total unaffiliated revenue	387,263	387,729	9,846	[illegible]
Income (loss) from operations ...	19,784	3,729	(11,150)	[illegible]
Nine months ended April 30, 1999				
Total segment revenue	$ 178,632	$ 273,505	$ 13,249	$ [illegible]
Less: revenues between segments	--	--	452	
Total unaffiliated revenue	178,632	273,505	12,797	[illegible]
Income (loss) from operations ...	15,087	14,380	(6,225)	[illegible]

</TABLE>

Note 4 - Property, Plant and Equipment

Property, plant and equipment consists of the following ($ in thousands):

<TABLE>
<CAPTION>

<S>	April 30, 2000 <C>	July 31, <C>
Equipment	$ 195,171	$ 117,
Computer software	27,903	21,
Leasehold improvements	9,217	7,
Furniture and fixtures	4,040	4,
Land and building	6,327	6,
	244,658	156,
Less: Accumulated depreciation and amortization.....	(58,950)	(37,
	$ 185,708	$ 114,

</TABLE>

<PAGE>

IDT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Note 5--Legal Proceedings and Contingencies

In October 1999, Union commenced an action against DigiTEC 2000, Inc. ("DigiTEC") and TecNet, Inc. ("TecNet") in the Supreme Court of the State of New York, County of New York, alleging damages of approximately $725,000 based upon, among other things, non-payment for prepaid calling cards. DigiTEC and TecNet have answered the complaint and DigiTEC has asserted a third-party claim against the Company seeking damages of $2.5 million dollars based upon the Company's alleged breach of a settlement agreement between the Company and DigiTEC which had resolved a prior litigation between those parties. The court adjourned the return date without assigning a specific return date for IDT to answer the Third-Party Complaint, subject to DigiTEC's right to make a written thirty day demand for an Answer.

In February 2000, IDT Europe B.V.B.A., a subsidiary of the Company, filed a Complaint against Tyco Group S.A.R.L. ("Tyco") and Tyco Submarine Systems, Ltd. ("TSSL") in the United States District Court, Newark, New Jersey, alleging breach of implied covenant of good faith and fair dealing and breach of contract for breaching a Memorandum of Understanding and Instruction to Proceed entered into on November 9, 1999. The Company is seeking to enjoin and restrain Tyco and TSSL from undertaking contrary business activity inconsistent with the Memorandum of Understanding and Instruction to Proceed and is seeking compensatory, consequential and punitive damages. On March 24, 2000, Tyco filed an answer and a motion to dismiss the action for lack of subject matter jurisdiction and Tyco, TSSL, Tyco International Ltd., Tyco International (US) Inc., and Tycom Ltd. filed suit against IDT Europe B.V.B.A. and the Company in the Supreme Court for New York county. The suit alleges breach of contract and tortious interference with prospective business relations and seeks declaratory and/or injunctive relief. The plaintiffs are seeking compensatory damages in an undefined amount and punitive damages in the amount of $3 billion. On April [illegible], 2000, the Company filed a motion to dismiss the action for lack of personal jurisdiction and failure to state a claim, on which a hearing has been scheduled for June 19, 2000. On June 7, 1999, the United States District Court in Newark, New Jersey dismissed the Company's complaint for lack of federal court jurisdiction. On June 14, 2000, the Company filed a substantially similar action in the New Jersey state court.

In February 2000, Multi-Tech Systems, Inc. ("Multi-Tech") filed suit against Net2Phone and other companies in the United States Federal District Court in Minneapolis, Minnesota. In its press release, Multi-Tech stated that "the defendant companies are infringing because they are providing the end users with the software necessary to simultaneously transmit voice and data on their computers in the form of making a phone call over the Internet." Net2Phone intends to defend the lawsuit vigorously. Net2Phone believes that the Multi-Tech claims are without merit. However, should a judge issue an injunction against Net2Phone requiring that Net2Phone cease distributing its software or providing its software-based services, such an injunction could have an adverse effect on Net2Phone's business. Net2Phone has filed an answer and a scheduling conference is planned for June 26, 2000.

In January 1997, six former employees alleging employment discrimination commenced a suit in New Jersey Superior Court, Bergen County. Howard S. Jonas, the Chairman and Chief Executive Officer of the Company, was also named as a defendant in the action. The action claimed that the Company made hiring and promotion decisions based upon the religious backgrounds of the relevant individuals, in violation of federal and state law. The complaint sought compensatory and punitive damages in an unspecified amount and also sought statutory multiples of damages. All of the claims arising under federal law were dismissed by the Court in New Jersey Superior Court, Bergen County, leaving the plaintiffs with only the remedies available under state law. Further, the Court granted the Company permission to file counterclaims against all plaintiffs for the alleged unlawful taking of business records. The Company filed such counterclaims in October 1998. This suit has been resolved and a Stipulation of Dismissal with prejudice was filed on June 7, 2000.

<PAGE>

IDT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The Company is subject to other legal proceedings and claims, which have arisen in the ordinary course of its business and have not been finally adjudicated. Although there can be no assurance in this regard, in the opinion of the Company's management, such proceedings, as well as the aforementioned actions, will not have a material adverse effect on results of operations or the financial condition of the Company.

Note 6--Significant Events

AT&T transaction

On March 28, 2000, IDT entered into an agreement with AT&T Corporation ("AT&T") pursuant to which IDT will sell, and a consortium led by AT&T through a newly formed business entity ("Holdco") will purchase, 14.9 million shares of Class A Common Stock, par value $0.01 per share, of Net2Phone ("Class A Stock"), at a price of $75 per share. In addition, Holdco will purchase four million newly-issued shares of Class A Stock from Net2Phone at a price of $75 per share. Following these transactions, Holdco will have a 39% voting stake and a 32% economic stake in Net2Phone for a total cash investment of approximately $1.4 billion. These transactions will reduce IDT's voting stake in Net2Phone from its current 56% to 21% and its economic stake in Net2Phone from its current 45% to 17%.

In addition, Holdco and IDT have reached an agreement that gives Holdco the right of first refusal to purchase IDT's remaining stake of 10 million shares of Class A Stock. If this right is exercised, Holdco will have a 60% voting interest and a 49% economic interest in Net2Phone. Holdco will also receive the option to convert IDT's remaining 10 million shares of Class A Stock into shares of Common Stock, par value $0.01 per share, of Net2Phone ("Common Stock"). Shares of Class A Stock have two votes per share, while shares of Common Stock have one vote per share.

On March 3, 2000, AT&T entered into an agreement with IDT granting IDT an option, for a period of 180 days, to cause AT&T to purchase 2,040,817 shares of Class B Common Stock of IDT, at a price of $36.75 per share for an aggregate purchase price of approximately $75,000,000. The option is exercisable from April 2, 2000 until the earlier of (i) 180 days following March 3, 2000 and (ii) the date IDT sells at least 12,500,000 shares of Class A Stock, $0.01 par value, of Net2Phone to a current holder of shares of such Class A Stock of Net2Phone. The Class B Common Stock will carry 1/10 of a vote per share.

For a period of 18 months, if Holdco buys shares of Class A Stock from another holder of shares of Class A Stock, IDT will have the option to cause Holdco to purchase up to 5 million additional shares of its Class A Stock on the same terms and conditions.

AT&T and IDT have agreed to enter into various definitive commercial arrangements for a period of three years.

Holdco shall have the right to nominate three members to the Board of Directors of Net2Phone. Until August 1, 2003 Holdco and IDT will agree to vote their shares in favor of mutually acceptable nominees to the Board of Directors of Net2Phone.

Net2Phone will also grant each of AT&T and IDT a license to use Net2Phone's technologies in their own communications services.

The transaction has been approved by the board of directors of AT&T, IDT and Net2Phone and is expected to close in August 2000. A special meeting of stockholders must approve amendments to the certificate of incorporation of Net2Phone authorizing an increase in the number of authorized shares of Class A Stock and an increase to the size of the Board of Directors. The transaction is also subject to the receipt of regulatory approvals and certain other conditions.

Liberty Media Group transaction

IDT announced on March 27, 2000 that Liberty Media Group had agreed to purchase approximately 9.9% of the equity of IDT, equal to approximately 3,775,000 shares of IDT's common stock exchangeable for shares of Class B Common Stock. On June 6, 2000, Liberty Media Group completed the purchase of 3,7[illegible] shares of IDT's Common Stock at a price of $34.50 per share, resulting in total cash consideration of approximately $129.6 million. Liberty Media also has the right to nominate a director for election to the IDT Board of Directors.

<PAGE>

IDT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Terra Networks transaction

In October 1999, IDT entered into a joint venture agreement with Terra Networks, S.A. ("Terra") pursuant to which the two parties formed two limited liability companies to provide Internet services and products to customers in the United States. One company was formed to provide Internet access to customers and the other company was formed to develop and manage an Internet portal that will provide content-based Internet services. IDT's 49% interest in the Internet access company was accounted for using the equity method of accounting. The equity method was used since IDT had significant influence, but less than a controlling voting interest. IDT's 10% interest in the Internet portal company was accounted for at cost. The cost method was used since IDT did not have a controlling voting interest, or an ownership or voting interest so large as to exert significant influence, and the venture was not publicly traded.

On April 30, 2000, the Company sold its interests in the two joint ventures for the right to receive 3,750,000 shares of Terra common stock. The Company recognized a pre-tax gain of approximately $231.3 million in connection with this transaction for the quarter ended April 30, 2000.

Stock buyback program

On May 17, 2000 the Company announced that its Board of Directors had authorized the repurchase of up to five million shares of the Company's common stock. As of June 13, 2000, the Company had repurchased 2,4[illegible] shares of common stock under the program for aggregate consideration of $[illegible] million.

Net2Phone subsidiary stock sales

During the course of the nine months ended April 30, 2000, the Company recognized approximately $226.5 million in gains related to Net2Phone subsidiary stock sales as follows:

- A $43.9 million pre-tax gain was recognized in August 1999 (first quarter of fiscal 2000) in connection with Net2Phone's initial public offering of 6.2 million shares of its common stock, at a price of $15.00 per share for net proceeds to Net2Phone of approximately $83.8 million, in accordance with the provisions of Staff Accounting Bulletin No. 51. Deferred taxes have been provided for this gain. IDT's ownership interest before and after the initial public offering was 85.14% and 56.24%, respectively.

- A $76.8 million pre-tax gain was recognized in December 1999 (second quarter of fiscal 2000) in connection with Net2Phone's secondary offering of 6.3 million shares of its common stock, at a price of $55.00 per share for net proceeds to Net2Phone of approximately $177.4 million, in accordance with the provisions of Staff Accounting Bulletin No. 51. Deferred taxes have been provided for this gain.

- A $105.8 million pre-tax gain was recognized in December 1999 (second quarter of fiscal 2000) in connection with IDT's sale of 2,200,000 shares of common stock of Net2Phone in Net2Phone's secondary, at a price of $55.00 per share for net proceeds of approximately $115.4 million. Current taxes have been provided for this gain. IDT's ownership interest before and after this transaction and the secondary (which occurred at the same time) was 56.24% and 47.97%, respectively.

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Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the accompanying condensed consolidated financial statements and the associated notes thereto of this Quarterly Report, and the audited consolidated financial statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company contained in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1999, as filed with the Securities and Exchange Commission.

Overview

The Company is a leading facilities-based multinational telecommunications carrier that provides its wholesale and retail customers with integrated and competitively priced international and domestic long distance telecommunications service, Internet access and, through its Net2Phone subsidiary's products and services, Internet telephony services. The Company delivers these services over a high-quality network consisting of 70 Company owned switches in the U.S. and Europe, owned and leased capacity on 23 undersea fiber optic cables and capacity on 7 dedicated satellite transponders. In addition, the Company obtains additional transmission capacity from other carriers.

The Company delivers its international traffic worldwide pursuant to the agreements with U.S.-based carriers, foreign carriers, and 21 of the companies that are primarily responsible for providing telecommunications services in particular countries (many of which are commonly referred to as "PTTs"). In addition, the Company maintains a high-speed network that carries Internet traffic in order to support both its Internet access services and Net2Phone's Internet telephony services.

In recent years, the Company has derived the majority of its revenues from its core telecommunications businesses, consisting primarily of wholesale carrier services and retail pre-paid calling cards. These businesses have also accounted for the bulk of the Company's operating expenses as well. Since the fourth quarter of Fiscal 1998, the Company has conducted wholesale carrier and pre-paid calling card operations in Europe. As the Company builds its European telecommunications operations, the Company expects to experience weaker gross margins and to incur significant sales and marketing expenses, which will have a negative impact on overall profitability over the next two to four quarters.

The Company is also developing various new telecom and Internet related businesses. During the nine months ended April 30, 2000, the Company incurred approximately $11.9 million in development costs for these business ventures, which did not have any significant revenues. The Company anticipates that it will continue to incur significant costs related to these and other new ventures. The timing, and magnitude, of any revenues and/or operating profits to be realized from these new businesses remains uncertain.

Within the wholesale carrier and pre-paid calling card business segments, the Company has experienced intense competition, which has served, over time, to reduce the average revenue per minute realized by the Company. In addition, this environment has led some of the Company's competitors to de-emphasize their wholesale carrier and/or pre-paid calling card operations, in order to focus on higher margin telecommunications businesses. The Company remains strongly committed to its wholesale carrier and pre-paid calling card businesses. However, the Company has experienced pricing and margin pressure in recent quarters. In addition, the Company's overall minutes of use began trending lower in August 1999, although overall minutes of use has begun to trend upward again since March 2000. The Company anticipates that it will continue to experience pricing and margin pressure in both its wholesale and retail businesses for at least the next few quarters.

Nine Months Ended April 30, 2000 Compared to Nine Months Ended April 30, 1999

Results of Operations

Revenue. Revenue increased 69.2%, from approximately $545.0 million for the nine months ended April 30, 1999 to approximately $922.1 million for the nine months ended April 30, 2000.

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Telecommunications revenues increased 71.4%, from approximately $452.1 million for the nine months ended April 30, 1999 to approximately $774.9 million for the nine months ended April 30, 2000. Internet services revenues decreased 23.4%, from approximately $12.8 million for the nine months ended April 30, 1999 to approximately $9.8 million for the nine months ended April 30, 2000. Internet telephony revenues increased 78.6%, from approximately $20.8 million for the nine months ended April 30, 1999 to approximately $37.2 million for the nine months ended April 30, 2000.

Telecommunications revenue increased primarily as a result of a 54.0% increase in minutes of use from approximately 1.96 billion for the nine months ended April 30, 1999 to approximately 3.04 billion for the nine months ended April 30, 2000. The increase in minutes was primarily due to the addition of wholesale carrier service clients, increased usage by existing clients, and increased marketing of the Company's prepaid calling cards. The addition of wholesale carrier services clients, increased use by existing clients and the inclusion of $20 million in revenue for the quarter ended October 31, 1999 related to a one-time tariff opportunity resulted in an increase in wholesale telecommunications revenues of 116.7%, from approximately $178.6 million for the nine months ended April 30, 1999 to approximately $387.2 million for the nine months ended April 30, 2000. As a percentage of telecommunications revenue, wholesale telecommunications revenue increased from approximately 39.5% in the nine months ended April 30, 1999 to approximately 50.0% in the nine months ended April 30, 2000. Revenue from retail telecommunications services increased 41.7%, from approximately $273.5 million for the nine months ended April 30, 1999 to approximately $387.7 million for the nine months ended April 30, 2000 as a result of increased marketing efforts for the Company's prepaid calling cards. Prepaid calling card sales as a percentage of retail telecommunications services revenue increased from 91.2% for the nine months ended April 30, 1999 to [illegible] for the nine months ended April 30, 2000. As a percentage of overall telecommunications revenue, retail telecommunications revenue decreased from approximately 60.5% in the nine months ended April 30, 1999 to approximately 50.0% in the nine months ended April 30, 2000.

As a percentage of total revenue, Internet services revenue decreased from approximately 2.6% for the nine months ended April 30, 1999 to approximately 1.2% for the nine months ended April 30, 2000. This was due primarily to decreased revenue caused by the contribution of the majority of the Company's dial-up subscribers to the joint venture formed with Terra Networks, S.A. during the quarter ended October 31, 1999 as well as the substantial increase in telecommunications revenue during the same period.

Internet telephony revenue as a percentage of total revenue was [illegible] for the nine months ended April 30, 2000, representing a slight increase from [illegible] for the nine months ended April 30, 1999. The increase in Internet telephony revenue, in dollar terms, was due to an increase in billed minutes of use resulting from increased marketing of Net2Phone's Internet telephony products and services.

Direct Cost of Revenue. The Company's direct cost of revenue increased by 75.1%, from approximately $377.8 million for the nine months ended April 30, 1999 to approximately $661.6 million for the nine months ended April 30, 2000. As a percentage of total revenue, these costs increased from 77.8% for the nine months ended April 30, 1999 to 80.5% for the nine months ended April 30, 2000. The dollar increase is due primarily to increases in underlying carrier and connectivity costs, as the Company's telecommunications minutes of use, and associated revenues, grew substantially. As a percentage of total revenue, the increase in direct costs reflects a change in revenue mix, in which the Company experiences lower gross margins associated with wholesale telecommunications services as compared to retail telecommunications services as well as lower gross margins related to telecommunications revenue as compared with Internet access services.

Selling, General and Administrative. Selling, general and administrative costs increased 149.7%, from approximately $70.8 million for the nine months ended April 30, 1999 to approximately $176.7 million for the nine months ended April 30, 2000. As a percentage of total revenue, these costs increased from 14.6% for the nine months ended April 30, 1999 to 21.5% for the nine months ended April 30, 2000. This increase is due to increased international debit card distribution costs, increased sales and marketing efforts for retail services, including prepaid calling cards and domestic and international long distance and for Net2Phone, as well as increased salaries, facilities costs and professional fees related to the expansion of the Company's infrastructure to facilitate its rapid sales growth, including expenditures related to expansion of the Company's telecommunications operations in Europe. Also included in selling, general and administrative costs for the nine months ended April 30, 2000 is approximately $11.9 million in costs associated with the Company's ventures division, which has several innovative telecommunications

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and Internet related businesses under various stages of development, and approximately $8.2 million of non-cash compensation as a result of option grants made by our Net2Phone subsidiary.

Depreciation and Amortization. Depreciation and amortization increased 31.0%, from approximately $18.6 million for the nine months ended April 30, 1999 to approximately $24.4 million for the nine months ended April 30, 2000. As a percentage of revenue, these costs decreased from 3.8% for the nine months ended April 30, 1999 to 3.0% for the nine months ended April 30, 2000. These costs increased, in dollar terms, primarily as a result of the Company's higher fixed asset base during the nine months ended April 30, 2000 as compared with the nine months ended April 30, 1999, reflecting the Company's efforts to expand its telecommunications network infrastructure and other facilities, both in the U.S. and abroad. The Company anticipates that depreciation and amortization costs will continue to increase as the Company continues to add to its asset base, both in the U.S. and abroad, allowing it to implement its global growth strategy.

Income from Operations. The Company recorded a loss from operations of approximately $40.7 million for the nine months ended April 30, 2000, compared to income from operations of approximately $18.5 million for the nine months ended April 30, 1999. Income from operations for the Company's telecommunications business declined to approximately $23.5 million for the nine months ended April 30, 2000 from approximately $29.5 million for the nine months ended April 30, 1999. As a percentage of telecommunications revenue, income from operations for the telecommunications business decreased to 3.0% for the nine months ended April 30, 2000 from 6.5% for the nine months ended April 30, 1999 due primarily to decreased margins in the carrier wholesale and retail telecommunications businesses; a higher proportion of relatively lower margin wholesale revenues; and an increase in sales and marketing costs for retail telecommunications services, relating primarily to the expansion of the Company's European operations.

Loss from operations for the Company's Internet services business increased to approximately $11.2 million for the nine months ended April 30, 2000 from approximately $6.2 million for the nine months ended April 30, 1999. The increased loss is primarily due to the decrease in revenue caused by the contribution of the majority of the Company's dial-up subscribers to the joint venture formed with Terra Networks, S.A. during the quarter ended October 31, 1999, lower gross margins and an increase in marketing expenses.

Loss from operations from the Company's Ventures division, which is developing several new telecom and Internet-related businesses, was approximately $11.9 million for the nine months ended April 30, 2000, reflecting start-up and development costs.

Loss from operations of the Net2Phone subsidiary increased to approximately $41.1 million for the nine months ended April 30, 2000, compared to a loss of approximately $4.7 million for the nine months ended April 30, 1999. This increase is due primarily to a substantial increase in selling, general and administrative expenses incurred as Net2Phone expanded distribution relationships, corporate infrastructure and human resources as well as the non-cash compensation charge of $8.2 million described above.

Other income. Included in other income for the nine months ended April 30, 2000 is $120.7 million in gains recognized by the Company under Staff Accounting Bulletin No. 51 in conjunction with Net2Phone's sale of shares in its Initial Public Offering and Secondary Offering in August 1999 and December 1999, respectively, and a realized gain of $105.9 million on the Company's sale of 2.4 million Net2Phone shares as part of Net2Phone's Secondary Offering. Also included in other income for the period was a gain of approximately $231.3 million, recorded in the three months ended April 30, 2000, related to the sale of the Company's interests in two Internet joint ventures with Terra Networks.

Income Taxes. The Company recorded income tax expense of approximately $183.8 million for the nine months ended April 30, 2000, compared to approximately $6.9 million for the nine months ended April 30, 1999.

Three Months Ended April 30, 2000 Compared to Three Months Ended April 30, 1999

Results of Operations

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Revenue. Revenue increased 37.2%, from approximately $191.8 million for the three months ended April 30, 1999 to approximately $263.1 million for the three months ended April 30, 2000. Telecommunications revenue increased 37.2%, from approximately $179.2 million for the three months ended April 30, 1999 to approximately $245.9 million for the three months ended April 30, 2000. Internet services revenue decreased 21.8%, from approximately $4.2 million for the three months ended April 30, 1999 to approximately $3.3 million for the three months ended April 30, 2000. Internet telephony revenue increased 68.4%, from approximately $8.3 million for the three months ended April 30, 1999 to approximately $13.9 million for the three months ended April 30, 2000.

Telecommunications revenue increased as a result of a 33.9% increase in minutes of use from approximately 746.6 million for the three months ended April 30, 1999 to approximately 1.00 billion for the three months ended April 30, 2000. The increase in minutes was due to the addition of wholesale carrier service clients, increased usage by existing clients, and increased marketing of the Company's prepaid calling cards. The addition of wholesale carrier services clients and increased use by existing clients resulted in an increase in wholesale telecommunications revenues of 61.6%, from approximately $75.4 million for the three months ended April 30, 1999 to approximately $121.8 million for the three months ended April 30, 2000. As a percentage of telecommunications revenue, wholesale telecommunications revenue increased from approximately 42.1% in the three months ended April 30, 1999 to approximately 49.5% in the three months ended April 30, 2000. Revenue from retail telecommunications services increased 19.6%, from approximately $103.8 million for the three months ended April 30, 1999 to approximately $124.1 million for the three months ended April 30, 2000 as a result of increased marketing efforts for the Company's prepaid calling cards. Prepaid calling card sales as a percentage of retail telecommunications services revenue increased from 92.5% for the three months ended April 30, 1999 to 94.2% for the three months ended April 30, 2000. As a percentage of overall telecommunications revenue, retail telecommunications revenue decreased from approximately 57.9% for the three months ended April 30, 1999 to approximately 50.5% for the three months ended April 30, 2000.

As a percentage of total revenue, Internet services revenue decreased from approximately 2.2% for the three months ended April 30, 1999 to approximately 1.3% for the three months ended April 30, 2000. This was due primarily to decreased revenue caused by the contribution of the majority of the Company's dial-up subscribers to the joint venture formed with Terra Networks, S.A. during the quarter ended October 31, 1999 as well as the substantial increase in telecommunications revenues during the same period.

Internet telephony revenue as a percentage of total revenue amounted to 5.3% for the three months ended April 30, 2000, up from 4.4% for the three months ended April 30, 1999. The increase in Internet telephony revenue, in both dollar and percentage terms, was primarily due to an increase in billed minutes of use resulting from increased marketing of Net2Phone's Internet telephony products and services.

Direct Cost of Revenue. The Company's direct cost of revenue increased by 40.3%, from approximately $150.2 million for the three months ended April 30, 1999 to approximately $210.6 million for the three months ended April 30, 2000. As a percentage of total revenue, these costs increased from 78.1% for the three months ended April 30, 1999 to 80.1% for the three months ended April 30, 2000. The dollar increase is due primarily to increases in underlying carrier and connectivity costs, as the Company's telecommunications minutes of use, and associated revenues, grew substantially. As a percentage of total revenue, the increase in direct costs reflects a change in revenue mix, in which the Company experiences lower gross margins associated with wholesale telecommunications services as compared to retail telecommunications services as well as lower gross margins related to telecommunications revenue as compared with Internet access service.

Selling, General and Administrative. Selling, general and administrative costs increased 138.1%, from approximately $30.0 million for the three months ended April 30, 1999 to approximately $71.3 million for the three months ended April 30, 2000. As a percentage of total revenue, these costs increased from 15.6% for the three months ended April 30, 1999 to 27.1% for the three months ended April 30, 2000. This increase is due primarily to increased international debit card distribution costs, increased sales and marketing efforts for retail services, including prepaid calling cards and domestic and international long distance and for Net2Phone, as well as increased salaries, facilities costs and professional fees related to the expansion of the Company's infrastructure to facilitate its rapid sales growth, including expenditures related to expansion of the Company's telecommunications operations in Europe. Also included in selling, general

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and administrative costs for the three months ended April 30, 2000 is approximately $8.7 million in costs associated with the Company's ventures division, which has several innovative telecommunications and internet related businesses under various stages of development, and $3.1 million of non-cash compensation as a result of option grants made by our Net2Phone subsidiary.

Depreciation and Amortization. Depreciation and amortization increased 31.8%, from approximately $6.9 million for the three months ended April 30, 1999 to approximately $9.1 million for the three months ended April 30, 2000. As a percentage of revenue, these costs decreased slightly from 3.6% for the three months ended April 30, 1999 to 3.5% for the three months ended April 30, 2000. These costs increased, in dollar terms, primarily as a result of the Company's higher fixed asset base during the three months ended April 30, 2000 as compared with the three months ended April 30, 1999, reflecting the Company's efforts to expand its telecommunications network infrastructure and other facilities, both in the U.S. and abroad. The Company anticipates that depreciation and amortization costs will continue to increase as the Company continues to add to its asset base, both in the U.S. and abroad, allowing it to implement its global growth strategy.

Income from Operations. The Company recorded a loss from operations (prior to the effects of minority interests) of approximately $29.0 million for the three months ended April 30, 2000, compared to income from operations of approximately $4.7 million for the three months ended April 30, 1999. Income from operations for the Company's telecommunications business (after the effect of minority interests) decreased from approximately $7.8 million for the three months ended April 30, 1999 to approximately $3.0 million for the three months ended April 30, 2000. As a percentage of telecommunications revenue, income from operations for the telecommunications business decreased to 1.1% for the three months ended April 30, 2000 from 4.1% for the three months ended April 30, 1999, due primarily to decreased margins in the carrier wholesale business, and an increase in sales and marketing costs for retail telecommunications services. Specifically, gross margins for European telecommunications operations were hampered by capacity constraints, which caused the Company's per-minute direct cost of revenues to rise. In addition, increased spending for marketing, salaries and facilities costs related to the Company's European operations contributed significantly to the rise in selling, general and administrative expenses.

Loss from operations for the Company's Internet services business increased to approximately $4.0 million for the three months ended April 30, 2000 from approximately $2.1 million for the three months ended April 30, 1999. The increased loss is primarily due to the decrease in revenue caused by the contribution of the majority of the Company's dial-up subscribers to the joint venture formed with Terra Networks, S.A. during the quarter ended October 31, 1999, combined with lower gross margins and increased selling, general and administrative expenses.

Loss from operations from the Company's Ventures division, which is developing several new telecom and Internet-related businesses, was approximately $8.9 million for the three months ended April 30, 2000, reflecting start-up and development costs.

Loss from operations of the Net2Phone subsidiary increased to approximately $18.1 million for the three months ended April 30, 2000, compared to a loss of approximately $1.0 million for the three months ended April 30, 1999. This increase is due primarily to a substantial increase in selling, general and administrative expenses incurred as Net2Phone expanded distribution relationships, corporate infrastructure and human resources as well as the non-cash compensation charge of $3.1 million described above.

Other income. Included in other income for the three months ended April 30, 2000 is a gain of approximately $231.3 million, recorded in the three months ended April 30, 2000, related to the sale of the Company's interests in two Internet joint ventures with Terra Networks in exchange for Terra Networks stock.

Income Taxes. The Company recorded income tax expense of approximately $89.2 million for the three months ended April 30, 2000, compared to approximately $2.1 million for the three months ended April 30, 1999.

Liquidity and Capital Resources

General

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Historically, the Company has satisfied its cash requirements through a combination of cash flow from operating activities, sales of equity and debt securities and borrowings from third parties. Additionally, the Company, including Net2Phone, received approximately $14.4 million upon the exercise of stock options in the nine months ended April 30, 2000.

In May 1999, the Company entered into a credit agreement with a syndicate of lenders whereby these institutions committed to provide a $160 million credit facility. The Company used the proceeds from the initial borrowings under the credit facility of $108.1 million to purchase more than 99% of its outstanding 8.75% Senior Notes due 2006, together with accrued and unpaid interest. During the quarter ended January 31, 2000, the Company paid off the outstanding indebtedness under the facility of $108.1 million, plus fees and accrued and unpaid interest, using the proceeds from the sale of Net2Phone shares as part of Net2Phone's December 1999 Secondary Offering and the facility terminated.

As of April 30, 2000, the Company had cash, cash equivalents and marketable securities of approximately $237.7 million and working capital of approximately $631.9 million. The Company generated negative cash flow from operating activities of approximately $85.2 million during the nine months ended April 30, 2000, compared with negative cash flow from operating activities of approximately $22.9 million during the nine months ended April 30, 1999. The Company's cash flow from operations varies significantly from quarter to quarter, depending upon the timing of operating cash receipts and payments, especially accounts receivable and accounts payable. Accounts receivable, accounts payable and accrued expenses have increased from period to period as the Company's businesses have grown.

The Company's capital expenditures were approximately $88.5 million for the nine months ended April 30, 2000, compared to approximately $31.8 million for the nine months ended April 30, 1999, as the Company expanded its international and domestic telecommunications network infrastructure. The Company financed a portion of its capital expenditures through capital leases and notes payable.

The Company experiences intense competition in its telecommunications business. The long distance telecommunications industry has been characterized by declines in both per-minute revenues and per-minute costs. In the past, these factors have tended to generally offset each other. However, as per-minute pricing continues to erode, gross margins have come under increasing pressure. The Company's long term strategy involves terminating a larger proportion of minutes on the Company's own network, thereby lowering costs and preserving margins even in a weaker price environment. However, in the short term, the demand for usage might outpace the rate of deployment of additional network capacity. In fact, it has become commonplace within the industry for companies to experience delays in network build-out programs. As such, there can be no assurance that the Company will be able to maintain its gross margins at the current level, in the face of lower per-minute revenues.

IDT's European telecommunications operations account for an increasing proportion of overall telecommunications revenue. Recognizing the significant opportunities offered by the rapidly evolving European telecommunications market, the Company intends to expand its network in Europe to further develop its operations in that region. Such expansion may have a negative impact on the Company's gross margins over the next two to four quarters. In addition, the Company is entering several new markets within Europe. Such market entries are likely to result in significantly increased selling, general and administrative expenses, as the Company incurs overhead, promotional and human resource-related expenses for each country it enters.

The Company will need to make significant capital expenditures in order to expand its network capacity. If the Company is unable to raise sufficient capital to meet its spending requirements, the Company's network expansion, and the anticipated margin improvement, would be delayed.

Changes in Other Assets, Accounts Receivable, Allowance for Doubtful Accounts and Deferred Revenue

Other current assets increased from $26.3 million at July 31, 1999 to $75.6 million at April 30, 2000, due primarily to increases in contract deposits and prepaid expenses at Net2Phone. The average age of the Company's accounts receivable, as measured by number of days sales outstanding, has been increasing due to a significant increase in sales to relatively more credit-worthy carriers and distributors of prepaid calling cards. These customers tend to demand, and the Company is willing to grant, extended payment terms.

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Due to the wide range of collection terms, future trends with respect to days sales outstanding are generally dependent upon the proportion of total sales made to carriers, who are often offered extended payment terms of up to 90 days, and prepaid calling card distributors, who generally receive terms of up to 30 days. Therefore, the trends in days sales outstanding will depend, in large part, on the mix of wholesale (carrier) versus retail (debit card distributor) customers. In addition, as the Company is willing to extend longer payment terms to more credit-worthy customers, an increase in customers belonging to the highest credit classes, as a percentage of total customers, could also lead to an increase in days sales outstanding. However, as the foregoing is difficult to predict, it is not possible at this time to determine whether or not the recent upward trend in days sales outstanding will continue.

The allowance for doubtful accounts as a percentage of accounts receivable decreased marginally, from 6.7% at July 31, 1999, to 6.1% at April 30, 2000.

Deferred revenue as a percentage of total revenue varies from period to period dependent upon the mix and the timing of revenue.

Net2Phone Financings

In May 1999, a group of strategic investors purchased from Net2Phone, in the aggregate, 3,140,000 shares of Net2Phone Series A Preferred Stock convertible into 9,420,000 shares of common stock and warrants to purchase up to 180,000 shares of Net2Phone common stock, for a net aggregate purchase price of $29.9 million. Additionally, Net2Phone issued a warrant to purchase 92,400 shares of its common stock to Hambrecht & Quist as part of its fee as placement agent with respect to this transaction.

In August 1999, Net2Phone completed its Initial Public Offering of 6.2 million shares, receiving approximately $83.9 million in net proceeds. At that time, the Series A Preferred Stock was converted into Class A Common Stock. The Company recognized a pre-tax gain of approximately $42.9 million as a result of this transaction.

In December 1999, Net2Phone completed a Secondary Offering of 6.3 million shares, receiving approximately $177.4 million in net proceeds. As part of the Secondary Offering, the Company sold 2.2 million Net2Phone shares, yielding approximately $115.4 million in net proceeds. Subsequent to the sale of these shares, the Company used approximately $108.1 million of the proceeds to pay off the outstanding balance of its bank credit facility.

In connection with Net2Phone's distribution and marketing agreement with ICQ, a subsidiary of America Online, Net2Phone issued to America Online a warrant to purchase up to 3% of Net2Phone's outstanding capital stock on a fully-diluted basis. This warrant will vest in 1% increments upon the achievement of each of three incremental thresholds of revenue generated under the agreement during the first four years that the warrant is outstanding. The exercise price under the terms of the warrant will be equal to the lesser of $12.00 per share or $450 million divided by the number of Net2Phone's fully-diluted shares on the initial exercise date.

The warrants are accounted for in accordance with the provisions of EITF 96-18, "Accounting for Equity Investments that are Issued to Other than Employees for Acquiring or in Conjunction with Selling Goods or Services." Due to the uncertainty of reaching the performance measures stipulated in the warrant agreement, the Company has not recorded any expense relating to the issuance of the warrant. Upon determination that the achievement of the revenue thresholds is probable, the Company will value the warrant and expense it over the remaining period until the performance criteria is met. The three revenue thresholds are $10 million, $50 million and $75 million and the term of the distribution and marketing agreement is four years. If the three incremental thresholds had been met on April 30, 2000, the Company would have expensed approximately $77 million.

In November 1999, the warrant was amended to include the right to purchase an additional 0.5% of Net2Phone's outstanding capital stock on a fully-diluted basis at an exercise price of $60.46 per share upon the achievement of $100 million in revenue.

Significant Transactions

In March 2000, the Company announced that a consortium led by AT&T Corporation had agreed to purchase 14.9 million of the Company's approximately 24.9 million shares of Net2Phone Class A Common Stock, for a purchase price

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of $75 per share. In addition, Net2Phone will sell four million of its shares to AT&T for a purchase price of $75 per share. The Company anticipates that this transaction will close during the first quarter of Fiscal 2001. In addition, the Company received the right, at its option, to sell to AT&T 2,040,817 shares of its Class B Common Stock for total cash consideration of $75.0 million.

In June 2000, Liberty Media Group completed the purchase of approximately 9.9% of the equity of IDT. Under the terms of the agreement, IDT issued and sold to Liberty Media 3,728,949 shares of IDT's Common Stock, exchangeable for shares of Class B Common Stock, at a price of $34.50 per share, resulting in total cash consideration of approximately $128.6 million.

On April 30, 2000, the Company sold its interests in two joint ventures with Terra Networks for the right to receive 3,750,000 Terra ordinary shares. The Company recognized a pre-tax gain of approximately $231.3 million in connection with this transaction for the quarter ended April 30, 2000.

On May 17, 2000 the Company announced that its Board of Directors had authorized the repurchase of up to five million shares of the Company's common stock. As of June 14, 2000 the Company had repurchased 1,431,773 shares of common stock under the program for aggregate consideration of approximately $43.5 million.

Acquisitions of In-Process Research & Development

The Company's purchase of InterExchange, Inc. in April 1998 involved the acquisition of two significant in-process research and development projects relating to switch technology. Neither one of these projects has been successfully completed at this time, and both projects have been terminated. Currently, the Company is not contemplating any additional acquisitions of in-process research and development.

Other Sources and Uses of Resources

The Company intends to, where appropriate, make strategic acquisitions to increase its telecommunications customer base. The Company may also make strategic acquisitions related to its Internet telephony business, or any of its new venture businesses. From time to time, the Company evaluates potential acquisitions of companies, technologies, products and customer accounts that complement its businesses.

The Company believes that, based upon its present business plan, the Company's existing cash resources will be sufficient to meet its currently anticipated working capital and capital expenditure requirements and to fund any potential operating cash flow deficits for at least the next twelve months. If the Company's growth exceeds current expectations or if the Company acquires the business or assets of another company, or if the Company's operating cash flow deficit exceeds the Company's expectations to the point that the Company cannot meet its working capital and capital expenditure requirements, the Company will need to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such capital on favorable terms or at all. If the Company is unable to obtain such additional capital, the Company may be required to reduce the scope of its anticipated expansion, which could have a material adverse effect on the Company's business, financial condition or results of operations.

Year 2000

Prior to January 1, 2000, the Company reviewed and evaluated the possible effects of the Year 2000 issue upon its installed computer systems, network systems and software applications. The Year 2000 issue involved the fact that many computers and applications define dates by the last two digits of the year and "00" would possibly not be properly recognized by such programs as the year 2000. The Company dedicated the time and resources it deemed appropriate to address and correct potential Year 2000 problems.

In response to the Year 2000 issue, the Company established a Year 2000 compliance committee (the "Committee") to eliminate any possible disruptions in services and operations due to the date change in the Year 2000. The Committee developed a plan to identify and repair any systems that may be affected by the Year 2000. The plan consisted of (1) identifying and inventorying all systems (2) assessing and testing the systems for Year 2000 compliance; (3) modifying, upgrading or replacing any non-compliant systems; and (4) testing the corrected systems to ensure compliance.

The Committee implemented this plan throughout the company and, in addition to reviewing its own systems, the Company initiated inquiries and submitted requests to its third-party vendors and service providers to obtain information regarding their compliance with the Year 2000. Furthermore, as a result of the Company's focus on the testing and remediation of its switching facilities, its network operations through which it provides communications services to its customers, were not disrupted by the Year 2000 issue.

Inventory, assessment, remediation and testing of software applications and hardware systems, including network systems, was substantially completed. The Company completed the modification, updating or replacement of any systems that to its knowledge were not Year 2000 compliant in November 1999. Testing of the corrected systems has been implemented and will continue on an ongoing basis through October 2000 due to the date October 10, 2000, being the first occurrence of a date requiring the use of eight digits to define the date.

The Company is confident that its own network systems are Year 2000 compliant due to the nature and extent of the testing the Company conducted and continues to implement on such systems.

European Currency Conversion

In January 1999, a new currency called the "euro" was introduced in certain Economic and Monetary Union ("EMU") countries. The EMU countries adopted the euro as their common legal currency, and through January 1, 2002, both the existing national currency of the respective EMU country and the euro will be accepted as legal currency. Beginning in 2002, all EMU countries are expected to operate with the euro as their single currency. The final rules and regulations have not yet been defined and finalized by the European Commission with regard to the euro currency. IDT's management does not anticipate, based on information currently available, that the euro will have a material adverse impact on the Company's operations and sales.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that contain the words "believes," "anticipates," "expects," and similar words and phrases. Such forward-looking statements include, among other things, the Company's plans to implement its growth strategy, improve its financial performance, expand its infrastructure, develop new products and services, expand its customer base and enter international markets, and the possible outcome of litigation relating to the Company. Such forward-looking statements also include the Company's expectations concerning factors affecting the markets for its products, such as changes in the U.S. and the international regulatory environment and the demand for long-distance telecommunications, Internet access and Internet telephony services. Actual results could differ from those projected in any forward-looking statements.

Forward-looking statements are based on management's current views and assumptions and involve known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied by those statements. These risks include but are not limited to the following risks:

each of our business lines is highly sensitive to declining prices;

competition in our core businesses could substantially reduce our revenues and our profits;

we may not be able to grow our operations in the future if we cannot raise enough capital;

our revenues and profits will not increase if we are unable to continue to expand our telecommunications business;

our expenses will increase substantially if we expand our network at a rate that is faster or slower than the growth of our telecommunications traffic;

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our operations would be impaired if we are unable to obtain the products and services of the telecommunications companies that we are dependent upon;

termination of our carrier agreements with foreign partners or our inability to enter into carrier agreements in the future could materially and adversely affect our ability to compete in foreign countries;

our revenues and our growth will suffer if our retailers and sales representatives fail to effectively market and distribute our products and services;

we may not be able to integrate our joint ventures, direct investments and acquisitions successfully with our existing business;

rapid technological change and frequent new product introductions in our markets could render our products and services obsolete;

our growth may be limited if we cannot effectively manage our international operations;

our business will not grow without increased use of the Internet;

our revenues will be impaired if we experience difficulties in collecting our receivables;

we will not be profitable if we do not receive attractive rates from other carriers for our long distance traffic;

federal, state, and international government regulation may reduce our ability to provide services, or make our business less profitable and we may become subject to increased costs of operations due to uncertainty over the amount of payphone surcharges and Federal Universal Service Fund obligations;

we may become subject to increased price competition from other carriers due to federal regulatory changes in determining international settlement rates;

European regulation of telecommunications services may not continue to evolve towards streamlined regulation;

telecommunications regulations of other countries may restrict our operations;

government regulation of Internet access may increase our costs of operations and we may become subject to Internet access charges;

we may be subject to liability for information disseminated over our Internet network;

the infringement or duplication of our proprietary technology could increase our competition and we could incur substantial costs in defending or pursuing any claims relating to proprietary rights;

network construction delays and system disruptions or failures could prevent us from providing our services, cause us to lose customers and adversely affect our business;

our quarterly operating results are subject to variation, which could cause us not to meet the expectations of securities analysts, and should not be relied upon as an accurate indicator of our overall performance;

if we are unable to attract and retain qualified management and technical personnel, we may not remain profitable; and

IDT is controlled by its principal stockholder, which limits the ability of other stockholders to affect the management of IDT.

The forward-looking statements are made as of the date of this Report, and the Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements. Investors should consult all of the information set forth herein and the other information set forth from time to time in the Company's reports

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filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, including the Company's Annual Report on Form 10-K, for the year ended July 31, 1999.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

None

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Incorporated by reference from Part I, Item I, Financial Statements, Note 5 captioned "Legal Proceedings and Contingencies."

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

On March 14, 2000, March 26, 2000 and April 18, 2000, the Board of Directors of the Company adopted resolutions authorizing amendments to the Company's restated certificate of incorporation and recommending that the stockholders of the Company adopt the following amendments:

1. Increase the authorized capital stock of the Company from 145,000,000 shares to 245,000,000 shares.

2. Create and authorize a new class of common stock, Class B Common Stock, par value $0.01 per share.

3. Increase the number of directors on the Company's Board of Directors from fifteen (15) to seventeen (17).

On April 28, 2000, Mr. Howard S. Jonas executed a written consent approving the amendments to the Company's restated certificate of incorporation. Mr. Jonas executed the written consent as the beneficial owner of [illegible] shares of the Company's Common Stock, par value $0.01 per share, and [illegible] shares of the Company's Class A Common Stock, par value $0.01 per share, representing approximately 56.6% of the combined voting power of the Company as of April 28, 2000.

Item 5. Other Information

None

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number	Description
3.01(1)	Restated Certificate of Incorporation of the Registrant.
3.02(1)	By-laws of the Registrant.
3.03(3)	Certificate of Amendment to the Restated Certificate of Incorporation of the Registrant.
10.29(2)	Option Agreement, dated as of March 1, 2000, between IDT Corporation and AT&T Corp.
10.30(3)	Amendment to Option Agreement, dated as of April 9, 2000 between IDT Corporation and AT&T Corp.
10.31(2)	Subscription Agreement, dated as of March 24, 2000, between IDT Corporation and Liberty Media Corporation.
10.32(3)	Amendment to Subscription Agreement, dated as of May 26, 2000, between IDT Corporation and Liberty Media Corporation.
10.33(2)	Letter Agreement, dated as of March 28, 2000, between IDT Corporation, AT&T Corp. and Net2Phone, Inc.
10.34(2)	Letter Agreement, dated as of March 30, 2000, between IDT Corporation, AT&T Corp. and Net2Phone, Inc.
10.35*	Conversion, Termination and Release Agreement, dated as of April 30, 2000, between IDT Corporation, Terra Networks, S.A., Terra Networks USA, Inc., Terra Networks Access Services USA LLC and Terra Networks Interactive Services USA LLC.

27.01* Financial Data Schedule.

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* filed herewith

(1) Incorporated by reference to Form S-1 filed February 21, 1996 File no. 333-00204.
(2) Incorporated by reference to Form 8-K filed March 31, 2000.
(3) Incorporated by reference to Schedule 14C filed June 12, 2000.

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(b) Reports on Form 8-K.

The Company filed a Current Report on Form 8-K on March 31, 2000, announcing that on March 28, 2000, the Company entered into an agreement with AT&T, whereby AT&T, through a newly formed business entity, would purchase 14.9 million shares of Class A Common Stock, par value $0.01 per share, of Net2Phone, Inc. at a price of $75 per share.

The Company also announced that on March 3, 2000 it entered into an agreement with AT&T in which the Company granted an option to AT&T, for a period of 180 days, to purchase 2,040,817 shares of Class B Common Stock of the Company for an aggregate purchase price of approximately $75,000,000.

The Company also announced that on March 24, 2000 it entered into an agreement with Liberty Media Corporation pursuant to which Liberty Media Corporation agreed to purchase approximately 9.9% of the Company's Common Stock for an aggregate purchase price of approximately $[illegible].

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IDT CORPORATION

FORM 10-Q

April 30, 2000

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IDT CORPORATION

June 14, 2000 By: /s/ HOWARD S. JONAS

Date

Howard S. Jonas
Chairman of the Board
and Chief Executive Officer
(Principal Executive Officer)

June 14, 2000

Date

By: /s/ STEPHEN R. BROWN

Stephen R. Brown
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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<TEXT>

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EXHIBIT 10.35

CONVERSION, TERMINATION AND RELEASE AGREEMENT

This CONVERSION, TERMINATION AND RELEASE AGREEMENT ("Agreement") is made and entered into as of April 30, 2000, by and between IDT Corporation ("IDT"); Terra Networks, S.A. ("TI"); Terra Networks USA, Inc. ("US-TI"), Terra Networks Access Services USA LLC ("TI USA ISP"); and Terra Networks Interactive Services USA LLC ("TI USA Portal"). Each of the foregoing shall be referred to herein as a "Party" and collectively shall be referred to herein as "Parties."

RECITALS

WHEREAS, On October 5, 1999, TI entered into three related contracts with IDT: (a) the Joint Venture Agreement ("JVA") between TI and IDT; (b) the Limited Liability Company Agreement concerning TI USA Portal between Telefonica Interactiva USA, Inc., now US-TI, and IDT; and (c) the Limited Liability Company Agreement concerning TI USA ISP between Telefonica Interactiva USA, Inc., now US-TI, and IDT;

WHEREAS, pursuant to the Limited Liability Company Agreements identified in the foregoing recital, both IDT and US-TI acquired equity ownership interests in TI USA Portal and TI USA ISP;

WHEREAS, on October 5, 1999, IDT entered into the following additional agreements: (a) the Internet Service Provisioning and Marketing Agreement between IDT and TI USA ISP (the "Internet Service Provisioning and Marketing Agreement"); and (b) the Internet Colocation Services Agreement between IDT and TI USA Portal (the "Internet Colocation Services Agreement");

WHEREAS, on or about the time that TI completed its initial public offering, IDT purchased 1,156,682 shares of TI shares (the "IPO Shares"); and the IPO Shares are subject to various restrictions concerning their re-sale;

WHEREAS, IDT and TI wish to terminate the JVA;

WHEREAS, IDT and US-TI wish to terminate the Limited Liability Company Agreement for the TI USA Portal and the Limited Liability Company Agreement for the TI USA ISP, and to convert IDT's equity interest in the TI USA Portal and TI USA ISP into shares of TI;

WHEREAS, as more fully described below, the Parties wish to terminate the

Internet Service Provisioning and Marketing Agreement and the Internet Colocation Services Agreement; and

WHEREAS, as more fully described below, the Parties wish to release each other from any and all claims that each may have against one another.

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AGREEMENT

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Incorporation of Recitals. The above recitals are true and correct and are incorporated herein by reference as if set forth herein at length and shall survive the execution of this Agreement.

2. Termination of Joint Venture Agreement.

(a) The JVA is hereby terminated on and as of the date hereof, and both TI and IDT are hereby relieved from any further obligation or duty to each other under the JVA.

(b) TI and IDT hereby release each other, including their respective parents, subsidiaries, affiliates, shareholders, directors, officers, employees, advisors and agents, from any and all claims that either one may have against the other, whether known or unknown, up to the date hereof with regard to the JVA or any matter that is related to the JVA. Both TI and IDT represent and warrant to the other that neither they, nor any of their affiliates, have assigned or transferred, nor purported to assign or transfer, any claim or right that either may have under the JVA. Notwithstanding the generality of the foregoing, this Section 2 shall be applicable to this Agreement.

3. Termination of Limited Liability Company Agreements.

(a) The Limited Liability Company Agreement concerning TI USA Portal as well as the Limited Liability Company Agreement concerning TI USA ISP are hereby terminated on and as of the date hereof, and both US-TI and IDT are hereby relieved from any further obligation or duty to each other under the same.

(b) Any right or interest that IDT had or may have had in TI USA Portal and in TI USA ISP under the respective Limited Liability Company Agreements, or otherwise, is hereby converted entirely into ordinary shares of TI (the "Conversion Shares"). From and after the date hereof, IDT shall no longer hold or own any right or interest in TI USA ISP or in TI USA Portal. The Conversion Shares shall be delivered to IDT, free and clear of all encumbrances except as otherwise contemplated in this Agreement, as follows: TI shall either deliver to IDT 3,750,000 ordinary shares of TI on or before July 31, 2000, or shall deliver to IDT 4,000,000 ordinary shares of TI at any time between August 1, 2000 and September 30, 2000. TI shall take all necessary action to issue and deliver the Conversion Shares as soon as commercially practicable. In any event, the Conversion Shares shall have Madrid Stock Exchange ticker symbol "TRR." At the time of delivery of the Conversion Shares to IDT, TI shall furnish a reasonably satisfactory legal opinion from independent counsel to TI stating that the Conversion Shares have been registered for sale in accordance with all applicable laws and are freely transferable by IDT, subject only to the restrictions set forth in this Section 3(c) of this Agreement.

(c) IDT shall be permitted to sell the Conversion Shares freely at any time, provided that, on or prior to December 31, 2000, IDT shall not sell the Conversion Shares to any person (natural or otherwise, including, without limitation, on any stock exchange) who is not a subsidiary of IDT (i) if the aggregate number of Conversion Shares sold on any business day will exceed 75,000, or (ii) if the aggregate number of Conversion Shares sold during any calendar month will exceed the result produced by dividing 3,750,000 by the number of calendar months (treating any partial calendar month as a fraction of a month) occurring during the period from the date of delivery of the Conversion Shares through December 31, 2000. After December 31, 2000, the foregoing restrictions shall terminate, however, from that point forward, IDT shall limit its sale of Conversion Shares during any given day to a number that shall not exceed 15% of the total trading volume of TI shares during the immediately preceding trading day.

(d) US-TI and IDT hereby release each other, including their respective parents, subsidiaries, affiliates, shareholders, directors, officers, employees, advisors and agents, from any and all claims that either one may have against the other, whether known or unknown, up to the date hereof with regard to the Liability Company Agreement concerning TI USA Portal, as well as the Limited Liability Company Agreement concerning TI USA ISP, or any matter related to the same. Both US-TI and IDT represent and warrant to the other that neither they, nor any of their affiliates, have assigned or transferred, nor purported to assign or transfer, any claim or right that either may have under either one of the Limited Liability Company Agreements.

4. Release of IPO Shares. TI hereby releases the IPO Shares from the existing lockup agreement and restrictions. IDT acknowledges that the decision of whether to release IPO Shares from lockup agreements and restrictions existing with other parties ("Third Party Lockups") is not controlled by TI; however, TI, within a commercially reasonable time not to exceed five (5) business days from the date hereof and upon IDT's request, agrees to (i) communicate TI's approval of the release of the Third Party Lockups and (ii) use diligence and expedition in requesting and providing any appropriate information with respect to the release of the Third Party Lockups. In this regard, IDT shall provide such documentation and assistance during IDT's normal business hours in connection with TI's efforts to obtain the release of the IPO Shares from any Third Party Lockups. Upon the release of the IPO Shares by TI hereunder and from any applicable Third Party Lockups, any sale by IDT of such IPO Shares shall be counted against IDT's restrictions on the sale of Conversion Shares pursuant to Section 3(a), above. Additionally, IDT shall be not be permitted to sell the IPO Shares after release from any Third Party Lockups until the date of delivery of the Conversion Shares (i) if the aggregate number of IPO Shares sold on any business day will exceed 75,000, or (ii) if the aggregate number of IPO Shares sold during any calendar month will exceed 500,000.

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5. Termination of ISP and Marketing Agreement.

(a) The Internet Service Provisioning and Marketing Agreement shall be terminated on the date hereof and both IDT and TI USA ISP are hereby relieved from any further obligation or duty to each other under the same except as provided for herein; provided that with respect to the 25,000 customers retained by Terra pursuant to Section 5(b), below, IDT shall provide the types and quality of services required under the Internet Service Provisioning and

Marketing Agreement for a period of 90 days from the date hereof. Terra shall be responsible to provide all equipment additional to that presently being used and that is necessary for the services provided herein by IDT, and IDT shall provide all necessary, including additional, manpower to meet the current and future service levels required herein. On the 90th day, TI USA ISP shall pay to IDT in immediately available funds all amounts that would be due under the Internet Service Provisioning and Marketing Agreement (as if it were still in effect) for IDT's services during the 90 day period. Anything to the contrary notwithstanding, IDT's failure to provide the types and quality of services required under the Internet Service Provisioning and Marketing Agreement shall constitute a default hereunder, provided that such default will not affect (i) the conversion of IDT's interest in the TI USA Portal and the TI USA ISP into Conversion Shares pursuant to Section 3, above, or (ii) the release of the IDT Shares from the lockup agreements and restrictions pursuant to Section 4, above. In no event will IDT be liable to TERRA for any special, indirect, incidental, exemplary, punitive or consequential damages in any manner in connection with or arising out of this provision, regardless of the form of action or the basis of the claim or whether or not the party has been advised of the possibility of such damages; provided, however, that there will be no limitation of liability as set forth herein in such cases where IDT willfully or intentionally damages Terra.

(b) Within three days following the execution of this Agreement and receipt of board approval (as contemplated by Section 16 hereof), TI USA ISP shall deliver to IDT, free and clear of all liens and other encumbrances, the ownership of all customers of TI USA ISP which are in excess of 25,000. TI USA ISP is free to select the 25,000 customers that it shall retain, and the parties understand that such 25,000 customers shall include the best paying customers of TI USA ISP and/or those of Hispanic origin. IDT shall provide TI USA ISP a listing of, as well as relevant account information regarding the existing ISP customers (including, without limitation, the amounts billed per customer per billing period, accounts receivable aging reports, a list of non-performing accounts and the name, address and method of payment for each customer), from which TI USA ISP shall select the customers to be retained by it.

(c) IDT and TI USA ISP hereby release each other, including their respective parents, subsidiaries, affiliates, shareholders, directors, officers, employees, advisors and agents, from any and all claims that either one may have against the other, whether known or unknown, up to the date hereof with regard to the Internet Provisioning and Marketing Agreement, or any matters related to the same. Both IDT and TI USA ISP represent and warrant to the other that neither they, nor any of their affiliates, have assigned or transferred, nor purported to assign or

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transfer, any claim or right that either may have under the Internet Service Provisioning and Marketing Agreement.

6. Payment of Amounts Due TI, TI USA ISP and TI USA Portal by IDT. On or prior to the earlier of (a) the first anniversary of the date hereof and (b) the first date upon which IDT and its subsidiaries cease to own any of the Conversion Shares, IDT shall pay to TI $3,000,000 in full satisfaction of any and all amounts due to TI pursuant to the various Agreements described in the recitals hereto (the "Operative Agreements"). Anything to the contrary notwithstanding, the Parties acknowledge and agree that IDT's payment of said amount to TI contemplates a final net settlement of all amounts owed to IDT and TI (inclusive of any and all set-offs, deductions and other adjustments with respect to any sums due and owing to IDT by TI as of the date hereof) under the Operative Agreements.

7. Termination of Internet Colocation and Services Agreement.

(a) The Internet Colocation Services Agreement shall be terminated as the date hereof and both IDT and TI USA Portal are hereby relieved from any further obligation or duty to each other under the same except as provided for herein; provided that IDT shall provide the types and quality of services required under the Internet Colocation and Services Agreement for a period of 90 days from the date hereof. Terra shall be responsible to provide all equipment additional to that presently being used and that is necessary for the services provided herein by IDT, and IDT shall provide all necessary, including additional, manpower to meet the current and future service levels required herein. On the 90th day, TI USA Portal shall pay to IDT in immediately available funds all amounts that would be due under the Internet Colocation and Services Agreement (as if it were still in effect) for IDT's services during the 90 day period. Anything to the contrary notwithstanding, IDT's failure to provide the types and quality of services required under the Internet Colocation and Services Agreement shall constitute a default hereunder, provided that such default will not affect (i) the conversion of IDT's interest in the TI USA Portal and the TI USA ISP into Conversion Shares pursuant to Section 3, above, or (ii) the release of the IPO Shares from the lockup agreements and restrictions pursuant to Section 4, above. In no event will IDT be liable to TERRA for any special, indirect, incidental, exemplary, punitive or consequential damages in any manner in connection with or arising out of this provision, regardless of the form of action or the basis of the claim or whether or not the party has been advised of the possibility of such damages; provided, however, that there will be no limitation of liability as set forth herein in such cases where IDT willfully or intentionally damages Terra.

(b) IDT and TI USA Portal hereby release each other, including their respective parents, subsidiaries, affiliates, shareholders, directors, officers, employees, advisors and agents, from any and all claims that either one may have against the other, whether known or unknown, up to the date hereof with regard to the Internet Colocation and Services Agreement, or any matters related to the same. Both IDT and TI USA Portal represent and warrant to the other that neither they, nor any of their affiliates, have assigned or transferred, nor purported to

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assign or transfer, any claim or right that either may have under the Internet Colocation and Services Agreement.

8. <u>No Solicitation; Non-Compete.</u> The Parties will continue to be restricted from soliciting for employment any key personnel from each other for a period of twelve (12) months after the execution of this Agreement. For a period of twelve (12) months after the execution of this Agreement, IDT shall not directly compete with TI USA ISP by providing services primarily targeted to the Target Markets (as hereinafter defined). For a period of fifteen (15) months after the execution of this Agreement, IDT shall not directly compete with TI USA Portal by providing services primarily targeted to the Target Markets. For purposes of this Section 8, the term "Target Markets" shall have the meaning assigned thereto in the JVA (as in effect immediately prior to the JVA's termination pursuant to this Agreement). As used herein, IDT includes IDT and its affiliates, including subsidiaries and any other entity controlled, directly or indirectly, by IDT.

9. <u>Confidentiality.</u> The Parties shall hold in confidence, and shall use only for the purposes of this Agreement, any and all Proprietary Information disclosed to each other for a period of two (2) years after the execution of this Agreement (the "Confidentiality Period"). The term "Proprietary Information" shall mean all information, which one Party, directly or

indirectly, acquires, from any other Party, excluding information falling into any of the following categories:

(a) Information that, at the time of disclosure hereunder, is in the public domain;

(b) Information that, after disclosure hereunder, enters the public domain other than by breach of this Agreement;

(c) Information that, prior to disclosure hereunder, was already in the recipient's possession, either without limitation on disclosure to others or subsequently becoming free of such limitation;

(d) Information obtained by the recipient from a third party which the relevant Party reasonably believes has an independent right to disclose this information; and

(e) Information that is available through discovery by independent research without use of or access to the Proprietary Information acquired from another Party.

A Party shall be deemed to have complied with its obligation to maintain Proprietary Information in confidence if such Party observes (and continues to observe during the entire duration of the Confidentiality Period) with respect thereto, the same safeguards and precautions, which such Party observes with respect to its own proprietary information of the same or similar kind. It shall not be deemed to be a breach of the obligation to maintain Proprietary Information in confidence if Proprietary Information is disclosed upon the order of a court or other

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governmental entity provided, however, that the Party served with such order shall notify the other Party so as to enable such other Party to apply to a court of law for a protective order.

Without limiting the validity or effect of Section 13, below, the parties agree that a breach of this Section 9 by any of them could cause irreparable harm to the others for which an action at law may not provide an adequate remedy. The parties, therefore, waive any and all defenses for a claim by the non-breaching parties, or any of them, for injunctive relief from any court of competent jurisdiction in the event that one of the parties hereto breaches this Section 9.

10. Fees. Unless otherwise mutually agreed in writing, the Parties shall each bear their own fees, costs and expenses incurred by them in connection with the preparation of this Agreement, including, without limitation, attorneys', consultants' and accountants' fees.

11. Legal Requirement. Each Party shall comply with all legal requirements applicable to each Party, and those required by any applicable jurisdiction, in the performance of its obligations hereunder.

12. Share Offer.

(a) During the period from the date hereof through December 31, [illegible] (and subject to the provisions of Section 3(c) with respect to the Conversion Shares), if IDT desires to sell any of the IPO Shares or the Conversion Shares (collectively hereinafter referred to as the "TI Shares") other than to a subsidiary of IDT, or receives an offer to purchase any of its TI Shares, IDT will first offer such TI Shares to TI for purchase by TI or its designee (the "Offer") prior to offering or selling such TI Shares to any third party. IDT shall make the Offer to TI by telephone or in writing no later than 12:00 p.m. Eastern Standard Time (U.S.) on the day of the Offer; provided that the provisions of this Section 12 shall not apply with respect to any sale of less than 50,000 TI Shares.

(b) Option. TI shall have the irrevocable and exclusive option, but not the obligation (the "Option"), to purchase all, but not less than all, of the TI Shares at the Closing referred to in Section 12(c), below, and for the purchase price and on the terms set forth below. TI shall exercise the Option by notifying IDT by telephone or in writing on the date of the Offer no later than two (2) hours prior to the market closing as to whether TI accepts or declines the Offer. Upon exercise of the Option, TI shall have the obligation to purchase the TI Shares described in the Offer on and subject to the terms and conditions hereof. Failure by TI to exercise the Option by providing the notice specified in this Section 12 shall be deemed an election by it not to exercise the Option; and IDT may thereafter transfer its TI Shares at any time or from time to time free and clear of any restrictions imposed by this Section 12.

(c) Closing; Right to Transfer. If TI elects to purchase any TI Shares pursuant to the Option, then such purchases shall, unless the parties thereto otherwise agree, be completed at a closing (the "Closing") to be held at the principal office of IDT at 10:00 a.m. local time on the third (3rd) business day following the exercise of the Option or as otherwise closed by broker's settlement so long as such settlement takes place within such 3-day period. TI may

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assign its rights and obligations under this Section 12 to another person upon written notification to IDT.

(d) Purchase Price. The purchase price for any TI Shares sold pursuant to the Option shall be an amount equal to the average of the high and low trading prices for the TI Shares on the NASDAQ National Market (or the national stock exchange on which the TI Shares are then traded) on the date of the Offer. The full amount of the purchase price for any TI Shares purchased by TI pursuant to this Section 12 shall be paid in full in cash by wire transfer of immediately available funds on the date of Closing.

13. Arbitration. All claims, disputes and other matters in question arising out of, or relating to, this Agreement shall be submitted to arbitration in accordance with the Rules of the American Arbitration Association (the "AAA") then in effect, unless the parties mutually agree otherwise, and pursuant to the following procedures:

(a) Notice of the demand for arbitration shall be filed in writing with the other Party to this Agreement and with the AAA. Three arbitrators shall be chosen. Each Party shall select one arbitrator, and the American Arbitration Association shall select the third arbitrator. A determination by a majority of the panel shall be binding on the Parties.

(b) Reasonable discovery, as determined in the sole discretion of the arbitrators, shall be allowed.

(c) All arbitration proceedings shall be held in Miami, Florida.

(d) The Parties agree that the issues being resolved hereunder shall be determined by arbitration pursuant to the provisions set forth herein and pursuant to the applicable rules of the American Arbitration Association then in effect insofar as such rules are not inconsistent with the provisions set forth herein.

(e) The costs and fees of the arbitration shall be allocated by the arbitrators. The Party or Parties prevailing in the arbitration will be entitled, in addition to such other relief as may be granted, to reasonable attorneys' fees, if any, as shall be awarded by the arbitrators.

(f) The award rendered by the arbitrators shall be final and in writing, and judgment may be entered in accordance with applicable law and in any court having jurisdiction thereof.

14. Notices. Except for those notices required pursuant to Section 13, above, all notices to be otherwise given herein shall be effective upon receipt and shall be in writing and delivered personally or by recognized delivery service or mailed, first class mail, postage prepaid or given by telegram, telecopy or other similar means (followed with a confirmation by mail) to the parties, as the case may be, at the following address or such other address as may hereafter be designated, in writing, by the respective Party in accordance with this section:

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Name	Address
TI, US-TI,: TI USA ISP, and TI USA Portal to:	Terra Networks, S.A. Via de las dos Castillas, 33 Complejo Atica Edif. 1-1/a/ planta 28224 Pozuelos de Alarcon Madrid, Spain Attention: Cristina [illegible] Fax: +34-91-452-3147
With a copy to:	Greenberg Traurig, P.A. 1221 Brickell Avenue Miami, Florida 33131 Attention: Jose A. Santos, Jr. Fax: (305) 579-0717
IDT:	IDT Corporation 520 Broad Street Newark, New Jersey 07102 Attention: Ira Greenstein Fax: (201) 928-2885

15. Entire Agreement. This Agreement constitutes the entire agreement between the Parties, and supersedes all negotiations, prior discussions, agreements, preliminary agreements or understandings between the Parties, whether written or oral. Only the rights or obligations of the Parties that are reflected in this Agreement shall survive after its execution. There are no representations and warranties of the Parties except as specifically stated herein. This Agreement may not be amended, supplemented or otherwise modified except by an instrument in writing signed by the Parties.

16. Binding Effect and Benefit of Agreement. This Agreement shall be binding upon, and shall insure to the benefit of, the Parties hereto and their respective successors in interest and permitted assigns. This Agreement (other

than Section 4 hereof, which shall be binding without any such board approval) is subject to the approval of the board of directors of each Party.

17. Severability. If any term or provision hereof or the application thereof to any circumstance shall be held invalid or unenforceable, such term or provision shall be ineffective but shall not affect in any respect whatsoever the validity of the remainder of this Agreement; and the Parties shall immediately renegotiate such term or provision to eliminate such invalidity or unenforceability, maintaining to the greatest extent permissible the spirit of the Agreement as originally written.

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18. No Waiver. No consent or waiver, express or implied, by a Party to the performance by the other Party to or of any breach or default by the other Party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Party of the same or any other obligations of such other Party hereunder. The giving of consent by a Party in any one instance shall not limit or waive the necessity to obtain such Party's consent in any future instance. No waiver of any rights under this Agreement shall be binding unless it is in writing signed by the Party waiving such rights.

19. Further Assurances. The Parties hereby agree to execute and deliver all such further instruments, documents and/or agreements, as well as to take any further action, which may be necessary to carry out the transactions contemplated under this Agreement and the intent of the Parties hereunder.

20. Governing Law; Interpretation. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of laws principles thereof. As used in this Agreement, the masculine gender shall include the feminine or neuter gender, and the plural shall include the singular wherever appropriate. The titles of Sections herein have been inserted as a matter of convenience of reference only and shall not control or affect the meaning or construction of any of the terms or provisions hereof.

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date and year first above written.

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Its: Executive V.P.of Business Development	Its: CEO
Terra Networks Access Services USA LLC	Terra Networks Interacti Services USA LLC
By:	By:
As an authorized officer of IDT Corporation, a member of Terra Networks Access Services	As an authorized officer of a member of Terra Networ

USA LLC

By: /s/ Alfredo Villalobos

As an authorized officer of Terra Networks USA, Inc., a member of Terra Networks Access Services USA LLC

Services USA LLC

By: /s/ Alfredo Villalobos

As an authorized officer of Terra Networks USA, Inc., a member of T... Interactive Services USA

Terra Networks USA, Inc.

By: /s/ Alfredo Villalobos

Its: President

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO
SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JULY 31, 1999, OR

[_]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission File Number: 0-27898

IDT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	22-3415036
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

520 Broad Street

Newark, New Jersey 07102
(Address of principal executive offices, including zip code)

(201) 928-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.01 per share

(Title of class)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of the Common Stock on October 29, 1999 of $22.875, as reported on the Nasdaq National Market, was approximately [illegible] million (assuming the conversion of all of the Company's shares of Class A Common Stock into Common Stock). Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock (assuming conversion of the Registrant's Class A Common Stock) have been excluded from this computation, in that such persons may be deemed to be affiliates of the Registrant. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of October 29, 1999, the Registrant had outstanding 24,100,383 shares of Common Stock, $.01 par value, and 10,029,758 shares of Class A Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in the Registrant's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders, was filed with the Securities and Exchange Commission pursuant to Regulation 14A, November 15, 1999 is incorporated by reference in Part III (Items 10, 11, 12 and 13) of this Form 10-K.

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IDT CORPORATION

ANNUAL REPORT ON FORM 10-K/A

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PART I

Item 1. BUSINESS.

Summary

As used in this Annual Report, unless the context otherwise requires, the terms "the Company" and "IDT" refer to IDT Corporation, a Delaware corporation, its predecessor, International Discount Telecommunications, Corp., a New York corporation ("IDT New York"), and their subsidiaries, collectively. All information in this Annual Report gives effect to the 1996 reincorporation of the Company in Delaware. The Company's fiscal year ends on July 31 of each calendar year. Each reference to a Fiscal Year in this Annual Report refers to the Fiscal Year ending in the calendar year indicated (e.g., Fiscal 1999 refers to the Fiscal Year ended July 31, 1999).

IDT Corporation is a leading facilities-based emerging multinational carrier that provides a broad range of telecommunications services to wholesale and retail customers worldwide. The company offers integrated and competitively priced international and domestic long distance telecommunications service and Internet access. The Company's majority-owned Net2Phone, Inc. ("Net2Phone") (NASDAQ: NTOP) subsidiary offers a variety of Internet telephony products and services. The Company's telecommunications services include wholesale carrier services, prepaid calling cards, international retail services and domestic long distance services. The Company has grown considerably in recent years, generating revenues of $135.2 million, $335.4 million and $732.2 million in Fiscal 1997, Fiscal 1998 and Fiscal 1999, respectively.

IDT delivers its telecommunications services over a high-quality network consisting of 70 switches in the U.S. and Europe and owned and leased capacity on 16 undersea fiber optic cables. In addition, the Company obtains additional transmission capacity from other carriers. The Company delivers its international traffic worldwide pursuant to its agreements with U.S.-based carriers, foreign carriers, and 23 of the companies that are primarily responsible for providing telecommunications services in particular countries (many of which are commonly referred to as "Post, Telephone and Telegraphs," or "PTTs"). In addition, IDT maintains a high-speed network that carries Internet traffic in order to support both its Internet access services and Net2Phone's Internet telephony services.

As of October 1, 1999, the Company had approximately 125 wholesale customers located in the U.S. and Europe. In addition, IDT offers retail long distance services to individual and business customers in the U.S. and worldwide. Within the U.S., IDT provides dedicated and dial-up Internet access services to approximately 65,000 retail customers. Net2Phone's Web-based Internet telephony services, which allow customers to make telephone calls from a multimedia PC to any telephone, and the Net2Phone Direct service, which enables users to make phone-to-phone calls over the Internet, have been used by a total of over 1.8 million registered customers worldwide.

The Company operates a growing telecommunications network consisting of (i) 70 Excel and Nortel switches in the U.S. and Europe; (ii) 16 owned and leased undersea fiber optic cables connecting the Company's U.S. facilities with its international facilities and with the facilities of its foreign partners in Europe, Latin America and Asia; and (iii) resale transmission capacity obtained on a per-minute basis from other telephone carriers. The Company monitors its network 24 hours a day, seven days a week through an automated network operations center.

The Company plans to expand its global telecommunications network infrastructure, in order to allow the Company to route a greater percentage of its international long distance traffic over owned lines. Routing calls over owned lines, rather than leased lines, will help the Company to reduce its operating costs, ensure the quality of its service and expand its customer base. However, the Company follows a disciplined, incremental approach to expanding its network, adding new facilities only when it determines that such investments are justified by traffic volumes. Generally, IDT enters new markets by leasing fiber capacity. As traffic grows, the Company typically invests in bandwith to realize cost savings from routing calls over an owned network. As traffic

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increases further, the Company may install a switch to increase overall capacity. If volume continues to grow, the Company may deploy additional switching and/or fiber capacity. IDT installed company-owned switches in the U.K. and the Netherlands in Fiscal 1999. The company plans to install and/or upgrade facilities in France, Italy, Spain, Germany and Austria by the end of Fiscal 2000, and to continue to pursue operating agreements with foreign carriers in order to terminate traffic directly at favorable rates.

IDT also operates a domestic Internet network consisting of multiple leased lines. IDT's Internet access networks provide local dial-up access through [illegible] "points of presence" (or "POPs") owned by the Company, through which subscribers may access the Internet. The Company's domestic Internet network also includes about 375 additional POPs owned by local and regional Internet service providers, which the Company refers to as its "Alliance Partners,". This Internet network, combined with the Company's telecommunications network, is also used to route Net2Phone's Internet telephony traffic.

History

The Company was founded in August 1990 and was originally incorporated in New York as "International Discount Telecommunications Corp." The Company was renamed IDT Corporation and reincorporated in Delaware in December 1995. The Company's main offices are located at 190 Main Street, Hackensack, New Jersey 07601; its telephone number is (201) 928-1000. IDT's Internet address is www.idt.net.

The Company entered the telecommunications business by introducing its international call reorigination service in 1990 to capitalize on the opportunity created by the large spread between U.S. and foreign-originated international long distance telephone rates. Long distance calling costs in certain highly regulated international markets are often prohibitive. The Company's call reorigination service enables customers to access a U.S. dial tone from overseas and place international calls that are reoriginated in the U.S. The customer benefits from more favorable U.S. outbound long distance rates and superior transmission quality. IDT used the expertise derived from, and the calling volume generated by, its call reorigination business to enter the domestic long distance business in late 1993 by reselling long distance services of other carriers to its domestic customers. As a value-added service for its domestic long distance customers, the Company began offering Internet access in early 1994, eventually offering dial-up and dedicated Internet access to individuals and businesses as stand-alone services. In 1995, IDT began reselling to other long distance carriers access to the favorable telephone rates and special tariffs the Company receives as a result of the calling volume generated by its call reorigination customers. The Company began marketing its prepaid calling cards in January 1997.

IDT entered the Internet telephony market in August 1996 with its introduction of PC2Phone, the first commercial telephone service to connect calls between personal computers and telephones over the Internet. The Company expanded its Internet telephony offerings in September 1997 with the introduction of Net2Phone Direct, a service that enables users to make international and domestic calls over the Internet using standard telephones.

In April 1998, the Company launched Click2Talk, an Internet telephony product which allows customers to make calls to the toll-free numbers of e-commerce companies anywhere in the world using a PC. In August 1998, the Company introduced Click2CallMe, which allows consumers visiting e-commerce companies to contact customer sales representatives from the Web sites of such companies without charge.

Offerings of Net2Phone

On August 3, 1999, Net2Phone completed an initial public offering of 6,210,000 shares of its Common Stock (the "Initial Public Offering"), yielding $85.3 million in net proceeds, to be used for development and maintenance of strategic Internet relationships, advertising and promotion, research and development, the upgrading and expansion of its network and general corporate purposes, including working capital.

Prior to the Initial Public Offering, Net2Phone was a 90%-owned direct subsidiary of the Company. As such, Net2Phone received various services provided by the Company, including administration (accounting, human resources, legal), customer support, telecommunications and joint marketing. The Company also provided Net2Phone with a number of its executives and employees. The Company has historically allocated a portion of its overhead costs related to those services it provided to Net2Phone. None of these services were provided to Net2Phone pursuant to any written agreement between the Company and Net2Phone.

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After the Initial Public Offering, the Company owned 56.2% of the capital stock of Net2Phone. The Company owns Class A stock that has twice the voting power of Net2Phone's common stock. Therefore, after the Initial Public Offering, the Company controlled 64.0% of Net2Phone's vote.

In connection with Net2Phone's Initial Public offering, the Company entered into several agreements with Net2Phone, including an assignment agreement, a separation agreement, an IDT services agreement, a Net2Phone services agreement, a tax sharing and indemnification agreement, a joint marketing agreement and an Internet/telecommunications agreement.

On November 4, 1999 Net2Phone filed a registration statement with the Securities and Exchange Commission for the sale of 6,300,000 shares of common stock (the "November Offering"). Of the 6,300,000 shares to be sold in the November Offering, 3,400,000 shares are being sold by Net2Phone. The Company will be selling 2,200,000 shares, with the remaining 700,000 shares to be sold by other selling stockholders. The underwriters have also been granted an option for a period of 30 days to purchase up to 900,000 additional shares of common stock from other selling stockholders to cover over-allotments, if any.

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include, among other things, the Company's plans to implement its growth strategy, improve its financial performance, expand its infrastructure, develop new products and services, expand its sales force, expand its customer base and enter international markets. Such forward-looking statements also include the Company's expectations concerning factors affecting the markets for its products, such as changes in the U.S. and the international regulatory environment and the demand for long-distance telecommunications, Internet access and Internet telephony services. Actual results could differ from those projected in any forward-looking statements. The forward-looking statements are made as of the date of this Annual Report on Form 10-K, and the Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements. Investors should consult all of the information set forth herein and the other information set forth from time to time in the Company's Reports on Forms 10-Q and 8-K.

Industry

Overview

The international long distance industry, which principally consists of the transmission of voice and data between countries, is undergoing a period of rapid, fundamental change that has resulted, and is expected to continue to result, in significant growth in the usage of international telecommunications services. According to industry sources, in 1997, the international long distance telecommunications industry accounted for approximately 81.8 billion minutes of use, an increase of 14% from 71.7 billion minutes of use in 1996, and up from approximately 24.6 billion minutes of use in 1988. The international long distance telecommunications industry generated revenues of approximately $67.0 billion in 1997. Industry sources have estimated that by 2001 this market may approach $98.0 billion in revenues and 143.2 billion minutes of use, representing compound annual growth rates from 1997 of 10.0% and 15.0%, respectively.

The Company believes that growth in international long distance services is being driven by (i) the globalization of the world's economies and the worldwide trend toward deregulation of the telecommunications sector; (ii) declining prices arising from increased competition generated by privatization and deregulation; (iii) increased worldwide telephone density and accessibility arising from technological advances and greater investment in telecommunications infrastructure, including the deployment of wireless networks; (iv) a wider selection of products and services; and (v) the growth in the transmission of data traffic via internal company networks and the Internet. The Company believes that growth of traffic originated in markets outside the U.S. will be higher than growth in traffic originated within the U.S. due to recent deregulation in many foreign markets, relative economic growth rates and increasing access to telecommunications facilities in emerging markets.

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Globalization: The increased globalization of commerce, trade and travel has stimulated demand for international long distance services, which in turn has spurred the continuing deregulation and privatization of telecommunications markets, which have traditionally been served by state-owned monopoly providers. In the U.S., demand for international long distance services has been boosted by a continued surge of immigrants to the U.S. These immigrants often seek a way to make inexpensive international calls to their friends and relatives back in their country of origin, using any telephone, without needing to demonstrate a credit history. The debit calling card remains the preferred vehicle for fulfilling these needs. The company believes that it is currently the top provider of international debit card calling time from the U.S., putting it in position to benefit from this trend.

Declining prices: The reduction of outbound international long distance rates, resulting from the increased competition generated by deregulation and privatization, continues to make international calling available to a much larger customer base. This, in turn, has stimulated increased traffic volumes.

Increased teledensity: Stimulated by economic growth and development, government initiatives and technological advances, the number of telephone lines around the world has increased dramatically, and is expected to lead to greater demand for international telecommunications services.

Wider selection of products and services: The proliferation of communications devices, including cellular telephones, facsimile machines, pagers, data communications devices and communications equipment has led to a general increase in the use of telecommunications services. In addition, a growing number of products and services are available to an increasing portion of the world's population. This availability is driving the increasing demand for these services on both a singular and bundled basis, requiring carriers to offer a wide array of voice and data products and services.

Growth of data traffic: The increased availability of higher-quality and higher-capacity bandwith has enabled international long distance carriers to improve service quality and provide a wider array of data services, while also lowering costs. The demand for data services, including Internet based demand, has increased rapidly, and is expected to continue to increase at a robust pace in the foreseeable future.

Regulatory and Competitive Environment

Consumer demand and competitive initiatives have acted as catalysts for government deregulation, especially in developed countries. Deregulation accelerated in the U.S. in 1984 with the divestiture by American Telephone & Telegraph, Inc. ("AT&T") of the regional bell operating companies. Today, there are over 500 U.S. long distance companies, most of which are small or medium-sized companies. In order to be successful, these small and medium-sized companies typically offer their customers a full range of services, including international long distance. However, most of these carriers do not have the critical mass of customers to receive volume discounts on international traffic from the larger facilities-based carriers such as AT&T, MCI WorldCom, Inc. ("MCI WorldCom") and Sprint Corporation ("Sprint"). In addition, these companies have only a limited ability to invest in international facilities. Alternative international carriers, such as the Company, have capitalized on this demand for less expensive international transmission facilities. These alternative international carriers are able to take advantage of larger traffic volumes in order to obtain volume discounts on international routes (resale traffic) and/or invest in facilities when the volume of particular routes justifies such investments. As these emerging international carriers have become established, they have also begun to carry overflow traffic from the larger long distance providers that own overseas transmission facilities.

Deregulation in the U.K. began in 1981 when Mercury, a subsidiary of Cable & Wireless plc, was granted a license to operate a facilities-based network and compete with British Telecommunications plc ("BT"). Deregulation spread to other European countries with the adoption of the "Directive on Competition in the Markets for Telecommunication Services" in 1990. A series of subsequent European Union directives, reports and actions have resulted in significant but not complete deregulation of the telecommunications industries in most European Union member states. Further deregulation of the European Union telecommunications market is scheduled to occur in 2000 upon the implementation of the European Union's "Amending Directive to the

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Interconnection Directive," which mandates the introduction of equal access and carrier pre-selection by 2000. See "Regulation--European Regulation of Telecommunications Services." A similar movement toward deregulation has already taken place in Australia and New Zealand, and is also taking place in Japan, Mexico, Hong Kong and other markets. Other governments have begun to allow competition for value-added and other selected telecommunications services and features, including data and facsimile services and certain restricted voice services. Deregulation and privatization have also allowed new long distance providers to emerge in other foreign markets. In many countries, however, the rate of change and emergence of competition remain slow, and the timing and extent of future deregulation is uncertain.

On February 15, 1997, the U.S. and 68 other countries signed the WTO Agreement and agreed to open their telecommunications markets to competition and foreign ownership starting in January 1998. These 69 countries represent approximately 95% of worldwide telecommunications traffic. The Company believes that the WTO Agreement will provide IDT with significant opportunities to compete in markets in which it did not previously have access, and to provide facilities-based services to and from these countries. The Federal Communications Commission ("FCC") issued an order that significantly reduces U.S. regulation of international services in order to implement the U.S.'s commitments under the WTO Agreement. This order is expected to increase opportunities for foreign carriers to compete in the U.S. communications market, while increasing the opportunities for U.S. carriers to enter foreign markets and to develop alternative termination arrangements with carriers that lack market power in other countries.

Deregulation has encouraged competition, which in turn has prompted carriers to offer a wider selection of products and services at lower prices. The Company believes that the lower prices for telecommunications services that have resulted from increased competition have been more than offset by decreases in the costs of providing such services and increases in telecommunications usage. For example, based on FCC data for the period 1989 through 1995, per-minute settlement payments by U.S.-based carriers to foreign PTTs fell 31.4%, from $0.70 per minute to $0.48 per minute. Over this same period, however, per-minute international billed revenues fell only 13.7%, from $1.02 in 1989 to $0.88 in 1995. The Company believes that as settlement rates and capacity costs continue to decline, international long distance will continue to provide opportunities to generate relatively high revenues and per-minute gross profits.

International Switched Long Distance Services

International switched long distance services are provided through switching and transmission facilities that automatically route calls to circuits based upon a predetermined set of routing criteria. In the U.S., an international long distance call typically originates on a local exchange carrier's network and is switched to the caller's domestic long distance carrier. The domestic long distance provider then carries the call to its own or to another carrier's international gateway switch. From there it is carried to a corresponding gateway switch operated in the country of destination by the dominant carrier of that country and then is routed to the party being called through that country's domestic telephone network.

International long distance providers can generally be categorized by the extent of their ownership and use of switches and transmission facilities. The largest U.S. carriers, AT&T, MCI WorldCom and Sprint primarily utilize owned U.S. transmission facilities and tend to use other international long distance providers to reach niche markets where they do not own a network, to take advantage of lower prices, and to carry their overflow traffic. Since no carrier has transmission facilities that cover the more than 200 countries to which major long distance providers offer service, a significantly larger group of long distance providers has emerged, which own and operate their own switches but either rely solely on resale agreements with other long distance carriers to terminate traffic or use a combination of resale agreements and leased or owned facilities in order to terminate their traffic, as discussed below.

Operating Agreements. Operating agreements provide for the termination of traffic in, and return traffic from, the international long distance providers that have rights in facilities in different countries at a negotiated accounting rate. Almost all international calls are carried under the complex accounting rate system, a framework for originating, carrying and terminating calls that has been in place since just after World War II. Within each country, the regulatory authority negotiates rates with a foreign PTT. These accounting rates tend to be artificially inflated, with no relation to the actual costs of carrying traffic.

Under a traditional operating agreement, the international long distance provider that originates more traffic compensates the long distance provider in the other country by paying an amount determined by multiplying the net traffic imbalance (the difference between minutes sent and minutes received) by the settlement rate, which is generally one-half the accounting rate. Under a typical operating agreement, each carrier has a right in its portion of the transmission facilities between two countries.

A carrier gains ownership rights in a fiber optic cable by purchasing direct ownership in a particular cable (usually prior to the time that the cable is placed in service) by acquiring an "indefeasible right of use" (IRU), in a previously installed cable, or by leasing or obtaining capacity from another long distance provider that either has direct ownership or IRU rights in the cable. In situations where a long distance provider has sufficiently high traffic volume, routing calls across an indefeasible right of use or leased cable capacity is generally more cost-effective on a per-call basis than the use of resale arrangements with other long distance providers. However, leased capacity and acquisition of an indefeasible right of use requires a substantial initial investment based on the amount of capacity acquired.

Transit Arrangements. In addition to utilizing an operating agreement to terminate traffic delivered from one country directly to another, an international long distance provider may enter into transit agreements. Under these arrangements, a long distance provider in an intermediate country carries the traffic to the country of destination.

Switched Resale Arrangements. A switched resale arrangement typically involves the wholesale purchase of termination services on a variable, per-minute basis by one long distance provider from another. A single international call may pass through the facilities of several long distance resellers before it reaches the foreign facilities-based carrier that ultimately terminates the call. Such resale, first permitted with the deregulation of the U.S. market, enabled the emergence of alternative international providers that relied, at least in part, on transmission services acquired on a wholesale basis from other providers. Resale arrangements set per-minute prices for different routes, which may be guaranteed for a set time period or which may be subject to change. The resale market for international transmission is extremely dynamic in nature, as new long distance resellers emerge, and as existing providers respond to fluctuating costs and competitive pressures. In order to effectively manage costs when utilizing resale arrangements, long distance providers need timely access to changing market data and must quickly react to changes in costs through pricing adjustments or routing decisions.

Alternative Transit/Termination Arrangements. As the international long distance market began to deregulate, long distance providers developed alternative transit/termination arrangements in an effort to decrease their costs of terminating international traffic. Some of the more significant arrangements include refiling, international simple resale and ownership of switching facilities in foreign countries.

Refiling and transiting of traffic, which take advantage of disparities in settlement rates between different countries, allow traffic to a destination country to be treated as if it originated in another country that benefits from lower settlement rates with the destination country, thereby resulting in a lower overall termination cost. The difference between transit and refiling is that, with respect to transit, the long distance provider in the destination country has a direct relationship with the originating long distance provider and is aware of the arrangement, while with refiling, it is likely that the long distance provider in the destination country is not aware of the country in which the traffic originated or of the originating carrier. To date, the FCC has made no pronouncement as to whether refiling complies with either U.S. regulations or the regulations of the International Telecommunication Union.

Under international simple resale, a long distance provider completely bypasses the accounting rate system by connecting an international leased private line (i) to the public switched telephone network of two countries

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or (ii) directly to the premises of a customer or partner in one country and the public switched telephone network in the other country. While international simple resale is currently only sanctioned by applicable regulatory authorities on a limited number of routes, including U.S.-U.K., U.S.-Canada, U.S.-Sweden, U.S.-New Zealand, U.S.-Australia, U.S.-Netherlands, U.K.-worldwide, Canada-U.K. and U.S.-Japan, it is increasing in use and is expected to expand significantly as deregulation of the international telecommunications market continues. In addition, deregulation has made it possible for U.S.-based long distance providers to establish their own switching facilities in certain foreign countries, enabling them to terminate traffic directly.

Competitive Opportunities and Advances in Telecommunications Technology

The combination of a continually expanding global telecommunications market, consumer demand for lower prices with improved quality and service, and ongoing deregulation has created competitive opportunities in many countries. Similarly, new technologies, including fiber optic cable and improvements in digital compression, have improved quality and increased transmission capacities and speed, with transmission costs decreasing as a result. In addition, the growth of the Internet as a communications medium, and advances in packet switching technology and Internet telephony are expected to have an increasing impact on the international telecommunications market.

Advances in technology have created a variety of ways for telecommunications carriers to provide customer access to their networks and services. These include customer-paid local access, international and domestic toll-free access, direct digital access through dedicated lines, equal access through automated routing from the public switched telephone network, call reorigination and Internet telephony. The type of access offered depends on the proximity of switching facilities to the customer, the needs of the customer, and the regulatory environment in which the carrier competes. Overall, these changes have resulted in a trend towards bypassing traditional international long distance operating agreements as international long distance companies seek to operate more efficiently.

In a deregulated country such as the U.S., carriers can establish switching facilities, own or lease fiber optic cable, enter into operating agreements with foreign carriers and, accordingly, provide direct access service. In markets that have not deregulated or are slow in implementing deregulation, international long distance carriers have used advances in technology to develop innovative alternative access methods, such as call reorigination. In other countries, where deregulation has commenced but has not been completed, carriers are permitted to offer data and facsimile services, as well as limited voice services including those to closed user groups, but are not yet permitted to offer full voice telephony. As countries deregulate, the demand for alternative access methods typically decreases because carriers are permitted to offer a wider range of facilities-based services on a transparent basis.

The most common form of alternative international access, traditional call reorigination, avoids the high international rates offered by the dominant carrier in a particular regulated country by providing the user with a dial tone from a deregulated country, typically the U.S. To place a call using traditional call reorigination, a user dials a unique phone number to an international carrier's switching center and then hangs up after it rings. The user then receives an automated callback providing a dial tone from the U.S. which enables the user to complete the call. Technical innovations, ranging from inexpensive dialers to sophisticated in-country switching platforms, have enabled telecommunications carriers to offer a "transparent" form of call reorigination. The customer dials into the local switch, and then dials the international number in the usual fashion, without the "hang-up" and "callback," and the international call is automatically and rapidly processed. The Company believes that as deregulation occurs and competition increases in various markets around the world, the pricing advantage of traditional call reorigination to most destinations relative to conventional international direct dial service will diminish in those markets.

Developments in the Internet Industry

Use of the Internet has grown rapidly since its initial commercialization in the early 1990's. However, determining the precise number of Internet users is extremely difficult because (i) the Internet does not have a

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single point of control from which statistics may be recorded; (ii) computers are connected and disconnected from the Internet on a continual basis; and (iii) a large number of users may access the Internet through a single network. International Data Corporation ("IDC") estimates that the number of Internet users worldwide will increase from approximately 69 million in 1997 to 320 million in 2002, representing a compound annual growth rate of 36%. Forrester Research projects that revenue from Internet access services in the U.S. will grow from $6.5 billion in 1998, to $21.9 billion in 2002, a compound annual growth rate of 35%.

The Internet has evolved dramatically over the last several years as a result of several trends affecting the computer and communications industries. These trends include (i) the migration by organizations from proprietary mainframe environments to open systems and distributed computing; (ii) the emergence of low-cost, high-capacity telecommunications bandwidth; (iii) the increased use of PCs in the home; (iv) the increased percentage of PCs that are equipped with modems; (v) the growth of commercial on-line services; (vi) the growth of information, entertainment and commercial applications; (vii) the increase in the number and variety of services available on the Internet; and (viii) the widening acceptance of Internet-based transactions ("e-commerce") as reliable and more convenient substitutes for transactions conducted through more traditional means. Through an Internet connection, users can access commercial, educational and governmental databases, software, graphics, newspapers, magazines, library catalogs, industry newsletters, and other information. Currently, the primary uses of the Internet include e-mail, Web browsing, electronic commerce, file transfers, remote log-in, news, bulletin boards, chat services and other on-line services.

In addition, during the last few years, several navigational and utility tools have become available that have enabled easier access to the resources of the Internet. Navigational software such as Netscape Navigator and Microsoft's Internet Explorer, and search tools from such companies as Excite@Home Corp., InfoSeek Corp. and Lycos, Inc. help users access information from the Internet.

As the volume of information available on organizations' computer systems has increased and the use of data communications has grown as a preferred means of day-to-day communications, organizations increasingly seek a number of geographically dispersed access points to their own networks and to the networks of other organizations. In the commercial sector, the number of interconnections that businesses desire to establish with networks, customers, suppliers and affiliates generally has made the development of proprietary access systems on a case-by-case basis costly and time consuming. As a result, many organizations seek reliable, high-speed and cost-effective means of internetworking and increasingly rely on the Internet. As reliance on the Internet for the transmission of data, applications and electronic commerce continues to grow among organizations, the Company believes that these organizations will require fast, reliable, geographically dispersed and competitively priced Internet access and services.

Internet Telephony

The Internet telephony industry began in 1995, when experienced Internet users began to transfer voice messages from one personal computer to another. In 1995, VocalTec Communications, Ltd. ("VocalTec") introduced software that allowed personal computer users to place international calls via the Internet to other personal computer users for the price of a local call. In its early months, the growth of Internet telephony was constrained due to the poor sound quality of the calls and because calls were mainly limited to those placed from one personal computer to another.

The poor sound quality of Internet telephony was due to the fact that the Internet was not created to provide for simultaneous voice traffic. Unlike conventional voice communication circuits, in which the entire circuit is reserved for a call, Internet telephony uses packet switching technology, in which voice data is divided into discrete packets that are transmitted over the Internet. These packets must travel through several routers in order to reach their destination, which may cause misrouting, and delays in transmission and reception. The limited capacity of the Internet has also restrained the growth rate of Internet telephony.

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However, as the industry has grown, substantial improvements have been made. New software algorithms have substantially reduced delays. The use of private networks or intranets to transmit calls as an alternative to the public Internet has alleviated capacity problems. Another key development has been the introduction of gateway servers, which connect packet-switched data networks such as the Internet to circuit-switched public telephone networks. Developments in hardware, software and networks are expected to continue to improve the quality and viability of Internet telephony. In time, packet-switched networks may become substantially less expensive to operate than circuit-switched networks, because carriers can compress voice traffic and place more calls on a single line.

Internet telephony has emerged as a low cost alternative to traditional long distance calls. IDC projects that the Internet telephony market will grow rapidly to over $23.4 billion in 2003, from approximately $1.1 billion in 1999 and that Internet telephony will account for nearly 11% of domestic and international long distance voice traffic by 2002.

Internet telephone calls are less expensive than traditional international long distance calls primarily because these calls are carried over the Internet or a proprietary network and therefore bypass a significant portion of international long distance tariffs. The technology by which Internet phone calls are made is also more cost-effective than the technology by which traditional long distance calls are made. IDC projects that commerce over the

Internet will grow to approximately $1.3 trillion in 2003.

Market Opportunity

The market for international voice and data telecommunications is undergoing fundamental change and has experienced significant growth as a result of (i) deregulation and privatization of telecommunications markets worldwide; (ii) the convergence of traditional voice and packet switching technology; and (iii) the growth of the Internet as a communications medium, including Internet telephony.

Deregulation and Privatization of Telecommunications Markets Worldwide. Significant legislation and agreements have been adopted since the beginning of 1996 which are expected to lead to increased liberalization of the majority of the world's telecommunication markets, including:

- the U.S. Telecommunications Act, signed in February 1996, which establishes parameters for the implementation of full competition in the U.S. domestic local and long distance markets;

- the European Union's Services Directive, adopted in 1990, which abolishes exclusive rights for the provision of voice telephony services throughout the European Union and the public switched telephone networks of any member country of the European Union by January 1, 1998, subject to extension by certain European Union member countries; and

- the WTO Agreement, signed in February 1997, which creates a framework under which 69 countries have committed to liberalize their telecommunications laws in order to permit increased competition and, in most cases, foreign ownership in their telecommunications markets, beginning in 1998.

The Company believes that these initiatives, as well as other proposed legislation and agreements, will provide increased opportunities for emerging competitive carriers such as IDT to provide telecommunications services in targeted markets. Deregulation has encouraged competition, which in turn has prompted carriers to offer a wider selection of services and reduce prices. The industry's projections for substantially increased international minutes of use and revenue over both the near term and long term are based in part on the belief that reduced pricing as a result of deregulation and competition will result in a substantial increase in the demand for telecommunications services in most markets.

Convergence of Traditional Voice and Packet Switching Technology. Technological advancements have allowed the use of "packet switching" technology for the transmission of voice telecommunications traffic, enabling a substantial increase in network efficiency, as well as the use of the Internet for voice communications.

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Traditional international long distance calls use a technology called "circuit switching," which carries the calls over international voice telephone networks. Circuit switching requires a dedicated connection between the caller and the recipient which must stay open for the duration of the call. On the other hand, packet switching technology breaks voice and fax calls into separate data packets, sends them over the Internet, then reassembles them in their original form for delivery to the recipient. This technology allows data packets representing multiple conversations to be carried over the same line, and is therefore inherently more efficient than is circuit switching technology. In addition, the use of the Internet as a voice communications medium provides significant reductions in the cost of transmitting traffic while bypassing the cumbersome and expensive settlement process inherent in international voice communications. The development of voice applications for the Internet is part of a larger trend of convergence of standard voice and data networks. Internet telephony services are expected to be one of the fastest growth segments in the telecommunications industry.

The IDT Approach

IDT's background as a leading alternative provider of wholesale and retail international telecommunications services, combined with its experience as a domestic Internet service provider and its leadership role in the field of Internet telephony, position it to capitalize on continuing deregulation in the international telecommunications marketplace and the convergence of voice and data telecommunications technologies. The Company leverages its customer base, existing carrier relationships and technology platforms to (i) develop new, low-cost termination arrangements; (ii) offer new services such as prepaid calling cards and Internet telephony to wholesale and retail customers in target countries; and (iii) negotiate partnership arrangements with existing and emerging carriers to market the Company's Internet telephony services.

Strategy

The Company's objective is to enhance its current position as as a leading facilities-based provider of high-quality, low-cost telecommunications services to wholesale and retail customers in both the U.S. and abroad. Key elements of the Company's strategy include:

Focus on International Telecommunications. The Company believes that the international long distance market provides attractive opportunities due to its higher revenue and gross profit per minute, and higher projected growth rate compared to the domestic long distance market. The Company targets international markets with high volumes of traffic, relatively high per-minute rates and favorable prospects for deregulation and privatization. The Company believes that the ongoing trend toward deregulation and privatization will create new opportunities for the Company to increase its revenues and to reduce its termination costs, while maintaining balanced growth in wholesale and retail traffic.

Expand Switching and Transmission Facilities. The Company is continuing to expand and enhance its network facilities by investing in switching and transmission facilities where traffic volumes justify such investments. During Fiscal 2000, the Company intends to invest in (i) undersea cables connecting the U.S. and Europe, the U.S. and Asia, and points within Europe; (ii) facilities in the U.S., the U.K., France, Italy, Spain, Germany, Austria and other European countries; and (iii) additional network compression equipment. The Company believes that these investments will allow it to reduce the cost of its services and to enhance its offerings, while maintaining its high service quality.

Expand Service Offerings and Marketing Activities. The Company will continue to develop value-added services and to market them on a wholesale and retail basis in order to increase margins, optimize network utilization and improve customer loyalty. IDT has historically used technology to capitalize on regulatory opportunities and market niches by offering innovative value-added services such as call reorigination, international prepaid calling cards and Internet telephony. In addition, the Company intends to capitalize on its strategic alliances and other relationships with U.S. and foreign companies in order to expand its customer base.

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Pursue Strategic Alliances and International Agreements. The Company has capitalized on its significant traffic volume and technological expertise to negotiate favorable termination agreements with international carriers. The Company intends to continue to seek new termination relationships with established and emerging carriers to reduce its termination costs for traditional international voice telephony, and in some cases to use its relationship with Net2Phone for additional low cost termination. To date, the Company has entered into approximately 65 agreements with carriers that provide for the favorably priced termination of its calls in over [illegible] countries.

Maintain Low Operating Costs and Improve Profitability. The Company seeks to continue to improve its profitability by (i) maintaining a streamlined general and administrative staff; (ii) leveraging its general and administrative staff across its complementary telecommunications services businesses; (iii) capitalizing on its wholesale traffic volumes to arrange cost-effective resale and termination arrangements, while continuing to increase its sales of higher margin retail international minutes; and (iv) investing in network infrastructure and selling, general and administration expenses when such investment is justified by traffic volumes.

Services

IDT provides its customers with integrated and competitively priced international and domestic telecommunications, Internet access and through its majority-owned Net2Phone subsidiary, Internet telephony services.

Telecommunications Services

The Company's four primary telecommunications services are: (i) wholesale carrier services; (ii) prepaid calling cards; (iii) international retail services for individuals and businesses; and (iv) domestic long distance services in the U.S. The Company generated revenues from its telecommunications business of approximately $684.6 million during Fiscal 1999, up from $303.9 million during Fiscal 1998. Telecommunications revenues represented 93.5% and 90.6%, respectively, of IDT's total consolidated revenues in Fiscal 1999 and Fiscal 1998.

Wholesale Carrier Services

The Company sells its wholesale carrier services to other U.S. and international carriers, utilizing flexible and least-cost traffic routing and based on its expertise in navigating the complex accounting rate system. In this way, the Company acts as a "carrier's carrier," providing the numerous entrants in the retail market with rates that are much lower than those previously offered by the more established carriers. The Company is able to offer competitive rates to its carrier customers as a result of (i) its extensive relationships in the long distance telecommunications industry; (ii) its ability to generate a high volume of long distance call traffic; and (iii) the advantageous rates negotiated with foreign PTTs and competitive carriers. During Fiscal 1999, wholesale carrier sales represented 39.5% of IDT's total consolidated revenues.

Prepaid Calling Cards

The Company sells prepaid debit and rechargeable calling cards providing access to more than 230 countries and territories. The Company's rates are between 10% and 50% less than the rates for international calls that are charged by the major facilities-based carriers. The Company's debit cards are marketed primarily to ethnic communities in the U.S. that generate high levels of international traffic to specific countries where the Company has favorable termination agreements. Recent immigrants and members of the ethnic communities are heavy users of international long distance, given their desire to keep in touch with family members and friends back home. The Company also markets cards in the U.K., France and the Netherlands, seeking to capitalize on the opportunity presented by the recent surge in immigration from using-developed countries to Europe's developed nations. During Fiscal 1999, sales of prepaid calling cards accounted for 49.7% of IDT's total consolidated revenues.

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The Company offers both IDT-branded and non- IDT-branded prepaid calling cards, with favorable rates to specific areas of the world. The cards are sold in several different dollar denominations, most commonly $5, $10 and $20. The table below lists the IDT phone cards sold by the Company:

California Exclusive	Illinois Exclusive	New York Exclusive
Carolina Exclusive	Long Island Exclusive	Nosso Brasil Card
Centro Americard	M&M Card	Pepe Colombianita
China Card	Mass Exclusive	Pepe Megatel
Colombiana Card	Mega Mexico Card	Puerto Rico Exclusive
Colombianita Card	Megatel Card	Rhode Island Exclusive
Connecticut Exclusive	Megatel Vending	Texas Exclusive
Discovery Card	Metropolis Card	Vending Georgia
Dominicall Card	Merengue Card	Exclusive
Florida Exclusive	New Jersey Exclusive	Vending Washington
Georgia Exclusive	New York Alliance	Exclusive
		Washington Alliance
		Washington Exclusive

The Company's rechargeable cards, distributed primarily through in-flight magazines, permit users to place calls from 43 countries through international toll-free services.

The Company's retail customers can use its calling cards at a touch tone telephone by dialing an access number, followed by a personal identification number (a "PIN") assigned to each prepaid calling card and the telephone number the customer seeks to reach. The Company's switch completes the call, and its debit card platform reduces the outstanding balance of the card during the call. The Company offers prepaid calling cards that can be used to access the Company's network by dialing a toll-free number or, in specific metropolitan markets, local area calling cards that only require a local call. The Company believes that many of its customers typically use its calling cards as their primary means of making long distance calls due to (i) attractive rates, (ii) reliable service, (iii) the ease of monitoring and budgeting their long distance spending and (iv) the appealing variety of calling cards offered by the Company to different market segments.

IDT expanded its domestic debit card platform through its acquisition of InterExchange and its subsidiaries (collectively, "InterExchange"), completed in May 1998. Through InterExchange, the Company operates one of the nation's largest international debit card platforms. The platform provides the Company with a broad range of services used to conduct its calling card operations, including billing, routing of calls, and determining the amount of credit available on each outstanding calling card.

As part of IDT's rapid expansion in the prepaid calling card market, the Company has initiated marketing private label phone cards. Private label cards serve as lucrative promotional items and can also be used to help generate brand name awareness. In December 1998, IDT signed an exclusive multi-year supply and distribution agreement with M&M/MARS's "M&M's(R)" Chocolate Candies, one of the largest confectionary brands in the world, to provide specifically-branded, private label phone cards. Through a strategic marketing relationship, "M&M's(R)" cards will be available to retailers currently carrying "M&M's(R)" Chocolate Candies. The phone cards feature the likenesses and the voices of the "M&M's(R)" Brand Characters currently featured in "M&M's(R)" advertising. IDT handles the entire call process of these phone cards, including call routing, authorization, prepaid platform and billing of the "M&M's(R)" cards.

In February 1999, the Company launched Debitalk, its first prepaid callback phone card, which allows people around the world to bypass the high costs of placing international calls from countries outside of the United States. Debitalk allows users to place phone calls from anywhere in the world using a touch-tone telephone with a pre-programmed callback number. Users dial their access number, allow the phone to ring once, hang up, wait for the ring back, listen to their real-time account balance, and dial their destination number. There are no credit cards, invoices or bad debt associated with Debitalk as the callback services are prepaid.

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International Retail Services

The Company offers international retail services to customers outside of the U.S., primarily through call reorigination. The Company also provides its call reorigination customers with access to enhanced U.S. telecommunications service options at U.S. long distance rates. These options include: voicemail, itemized billing, speed dial codes that allow customers convenient access to the call reorigination service, personalized voice prompts that allow customers to be called back at extensions where the party being dialed must be requested by name, remote programmable service that allows customers the flexibility of selecting the number called back instead of receiving the call at a preprogrammed number, access to U.S. toll-free 888 and 800 numbers, and simplified billing that combines the cost of the call back to the customer and the cost of the customer's outbound call from the U.S. in one bill for convenient and orderly presentation. The Company markets its call reorigination service to businesses and individuals. International retail services accounted for 2.9% of IDT's total consolidated revenues in Fiscal 1999.

As an alternative service, the Company provides international long distance services to certain overseas customers, currently in the United Kingdom, via standard international direct-dial network services. Through this service, the Company offers a foreign customer the ability to place a direct call to an international destination over the Company's leased network at competitive rates without the need for call reorigination. In markets that are deregulating, the Company's strategy is to migrate its call reorigination customers to international direct-dial service, where operating environments warrant. The Company expects to offer retail service in several European nations by the end of Fiscal 2000.

Domestic Long Distance Services

The Company markets certain long distance services directly to retail customers in the U.S. The Company's customers pay rates that are between 10% and 50% less than the rates for domestic long distance service charged by the major facilities-based carriers. The Company also markets the long distance service as a value-added bundled service with its dial-up Internet access, and offers customers who maintain minimum monthly long distance billing levels rates that are approximately 20% less than the rates for dial-up Internet access that are charged by the major national Internet service providers. Domestic long distance services accounted for 1.4% of the Company's total consolidated revenues in Fiscal 1999.

In September 1999, the Company announced a new domestic long distance plan featuring a flat rate of 5 cents per minute with a $3.95 monthly fee. The 5 cents per minute rate applies to all calls, 24 hours a day, 7 days a week. IDT also plans to offer rates as low as 3.5 cents per minute for customers who also subscribe to IDT's dial-up Internet service. The Company believes that it is now the lowest cost domestic long distance provider in the country.

Internet Services

In 1994, the Company began offering dial-up and dedicated Internet access to individuals as a value-added service for its domestic long distance customers, and to businesses as a stand-alone service. IDT's Internet access network, which consists of multiple leased lines, offers 33 (POPs) owned by the Company, and approximately 375 POPs owned by local and regional Internet service providers, through which subscribers may access the Internet. The Company's three primary Internet access and online services are: (i) dial-up Internet access for individuals and businesses; (ii) direct-connect dedicated Internet services for corporate customers; and (iii) the Genie online entertainment and information services. Internet access accounted for 2.3% of IDT's total consolidated revenues in Fiscal 1999.

Dial-Up Access Services

The Company's dial-up service offers individuals unrestricted Internet access with an easy-to-use point-and-click graphical user interface for a fixed monthly fee. IDT provides its customers with access to a full range of Internet applications, including e-mail functions, Web sites, Usenet news groups, databases and public domain software, as well as a full graphics package and browser software.

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The Company provides its individual customers with several pricing options. Currently, the Company offers Basic Internet Service for $19.95 per month and Premium Service for $29.95 per month. Each is a fully graphical account bundled with an Internet browser, unlimited dial-up Internet access, and an e-mail account. Premium Service customers are entitled to the Reuters news service, a second e-mail address, eight megabytes of personal Web space storage, and special customer support services. The Company also offers Basic Internet Service access accounts for $15.95 per month for customers who sign up for IDT's long distance telephone service and maintain their monthly long distance telephone billings at or above $40 per month. The Company offers free Basic Internet Service accounts for those customers who sign up for IDT's long distance telephone service and maintain their monthly telephone billings at or above $150 per month. In addition, the Company offers an e-mail only account for $7.95 per month.

The Company has entered into an agreement with Mail Call, Inc., pursuant to which the Company's Internet subscribers are able to retrieve e-mail via telephone, using text-to-speech technology. This service, which is called "Mail Call," enables subscribers to hear their e-mail messages by calling a toll-free telephone number, without the need for a computer. Subscribers to this service can choose to listen to the text of each message (in English or Spanish), have a "hardcopy" of the message sent to any fax machine in North America, or reply to the message using one of several features. Mail Call also offers several preference options, including six different voices with three pitches each, a default fax phone number, a customized response, and several pattern matching strings which can be used to filter and prioritize incoming e-mail messages.

In August 1999, the Company teamed up with iPass, to offer to its retail and business customers roaming Internet access in over 150 countries using iPass' vast worldwide network of 4,000 POPs. Internet roaming is available immediately to the Company's customers, who can download the iPass connection software at the Company's Web site. Instead of having to pay for long-distance calls to connect back to IDT's service while outside the United States, the Company's customers can now access the Internet locally in virtually every major city throughout the world. The roaming Internet service also improves the connection quality for users who often experience noisy or dropped connections with Internet connections via international calls.

Direct Connect Dedicated Services

The Company offers a variety of Internet access options and applications specifically designed to address the unique needs of medium to large-sized businesses. These corporate clients typically require high-speed dedicated circuits because they desire to put up a Web site, the nature of their business requires the transfer of large data files, or it would be impractical for them to maintain dial-up accounts for all of their employees who require Internet access.

In March 1999, the Company formed a Dedicated Internet Group for the primary purpose of selling Dedicated Internet Access, Digital Subscriber Lines ("DSL"), Web Hosting and Design and Colocation to business clients. The Dedicated Internet Group is currently staffed by 20 employees and revenues have increased from $4,000 in new sales in April 1999 to over $100,000 in September 1999. The Company currently charges clients using 56 kilobits per second ("56K") lines approximately $350 per month for direct connect service and clients utilizing full T1's approximately $1,400 per month for direct connect service. For clients with higher bandwith needs, IDT offers a tiered T3 service starting at $3,000 per month.

In June 1999, IDT began offering Internet access through DSL. DSL uses standard telephone lines to provide access to the Internet at speeds many times faster than standard 56K modem connections, at a lower cost than a dedicated leased line. IDT offers DSL service to its customers at monthly rates ranging from $125 to $499, depending on line speed and the length of the contract, with four months of free Internet access included in the package. The Company views the DSL market as largely untapped given the 30,000 to 40,000 nationally installed DSL lines and the potential market of well over five million DSL subscribers.

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Genie Services

The Company also offers the Genie online service, giving subscribers access to roundtables, bulletin boards and chat areas, individual and multiplayer games, news, travel, entertainment, weather and other information services. Currently, the Company markets the Genie content as an online service available only to subscribers. The Company offers Internet access to Genie online subscribers for an additional fee.

Telefonica Agreement

In October 1999, IDT entered into a joint venture agreement with Terra Networks, S.A. (formerly known as Telefonica Interactiva, S.A.) pursuant to which the parties formed two limited liability companies to provide Internet services and products for customers in the United States, mainly targeting and focusing on the Hispanic population in the United States. One company was formed to provide Internet access to customers in the target market, and IDT contributed its dial-up Internet access customers, its managerial resources and facilities and its portfolio of current and future products for Internet access to the new company in exchange for a 49% ownership interest. The other company was formed to develop and manage an Internet portal that will provide content-based Internet services, electronic commerce offerings and other Internet services to customers in the target market. IDT will assist in developing relationships with content producers and content providers and will sell advertising on this new company's portal in exchange for a 10% ownership interest. Terra Networks has agreed to fund the first $30 million of expenses for the ISP joint venture, subject to the completion of certain performance criteria.

IDT's 49% interest in the Internet access company is accounted for using the equity method of accounting. The Company's 10% interest in the Internet portal company is accounted for at cost.

IDT/Westmintech Joint Venture

In September 1999, Chattle, Inc., a wholly owned subsidiary of IDT, entered into a joint venture with Westmintech Company, L.L.C. ("Westmintech") in the form of a Delaware limited liability company named Worldwide Intercom, L.L.C. ("Worldwide Intercom") to provide high speed voice and data services, including without limitation local and long distance telephone service (dedicated and 1+), cable television service (cable and/or fiber optic), on line service with direct Internet access and Internet access services (DSL, dedicated and dial up) and various other Internet services and other technology related to the foregoing existing and yet to be developed, to the tenants of commercial and residential properties worldwide. Westmintech is owned in part and controlled by Charles Kushner or an entity which he controls. Mr. Kushner owns in part and controls directly or indirectly various multifamily, retail and commercial properties throughout New York and New Jersey. Chattle, Inc. owns 75% of Worldwide Intercom and Westmintech owns the remaining 25%.

Under the terms of the joint venture agreement, IDT will license to Worldwide Intercom intellectual property, technical know-how, and patent, copyright and trademark rights relating to the provision of Worldwide Intercom's services. IDT will also provide Worldwide Intercom with back office support for its services, and will arrange for the installation, activation, maintenance, repair and service of the hardware and wiring necessary to provide Worldwide Intercom's services. The initial term of the agreement is for a period of one year and shall be automatically renewable for additional one year periods. The Company will consolidate its 75% ownership interest in the joint venture.

Net2Dine.com

In August 1999, the Company launched Net2Dine.com, an Internet directory designed for restaurant owners and consumers which currently lists over 112,000 restaurants in the United States. Net2Dine.com attracts restaurants to its Web site by offering a free restaurant listing as well as value-added products that increase a restaurant's presence on the Internet. For $10 a month, a restaurant may subscribe to Net2Dine.com's Webpage Plan. Every subscribing restaurant receives its own mini Webpage which is built into Net2Dine.com's Web site, complete with Click2Reserve on-line reservations. Each Webpage provides detailed information about the restaurant, including its credit card policy, specials, reservations requirements and other relevant information.

The Company intends to pursue and/or develop other opportunities in the Internet business, with a focus on identifying and exploiting niche market opportunities, specifically in markets where the Company can leverage one or more of its existing strengths.

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Internet Telephony

In August 1996, the Company began offering Net2Phone, the first commercial telephone service to bridge calls between multimedia PCs and telephones via the Internet, and to charge for this service on a per-minute basis. Upon installation of the Net2Phone software, which is provided by Net2Phone primarily through the Internet without charge, a Net2Phone user receives an account number, and chooses a personal identification number as an added security feature. Once the Net2Phone software is installed, a user may place toll-free "800" or "888" calls from anywhere in the world without incurring any charges for such calls. Upon a user's prepayment for Net2Phone minutes, the user may begin using Net2Phone to place telephone calls worldwide. In Fiscal 1999, Net2Phone received the following awards and commendations:

- Net2Phone Direct was named Internet Telephony Magazine's 1998 Product of the Year

- Net2Phone was named CTI Magazine's 1998 Product of the Year

A user places a Net2Phone call after establishing a connection to the Internet. The call is routed over the Internet, at no charge to the customer, to the Company's telecommunications switches in the U.S. The call is then routed in the same manner as other voice telephony calls, using the Company's least-cost routing platform in order to increase the savings realized by international callers. Net2Phone's voice quality has been enhanced through the use of technology licensed from Lucent Technologies, Inc., and the software relating to Net2Phone is available in seven different languages. For calls originating overseas, the cost of placing and terminating the call with Net2Phone is up to 95% below the rates generally charged by traditional foreign carriers to place and terminate standard international telephone calls.

In October 1997, the Company introduced Net2Phone Direct, a commercial telephone service that enables international and domestic phone-to-phone calls to be made via the Internet using packet switching technology. Net2Phone Direct enables phone-to-phone calling between two parties using telephones, while using the Internet to transport the long-haul components of the call. Users of Net2Phone Direct are able to call a local or toll-free access number, which connects the call to the Internet. Through such use of the Internet, the Company expects to significantly reduce the cost of international and domestic calling by extending the benefits of placing Internet telephone calls to customers with access to a regular telephone without requiring the use of PCs or individual Internet access. The Company also intends to develop a global network of switches and servers, thereby expanding the Company's ability to provide competitively priced Internet telephony solutions. The Company generated net revenues from its Internet telephony business of about $[illegible] million during Fiscal 1999.

IDT has entered into agreements with resellers in several foreign countries, pursuant to which such parties purchase and house the Net2Phone Direct servers in their country and resell Net2Phone Direct pin numbers to end-users. IDT provides customer service and technical support for Net2Phone and Net2Phone Direct customers in seven languages on a 24 hour per day, 7 day per week basis.

Sales, Marketing and Distribution

Telecommunications

The Company primarily markets its international telecommunications services through its direct wholesale carrier services sales staff. The staff primarily relies on, and benefits from, (i) the Company's extensive relationships and increasing international exposure and recognition throughout the long distance industry for marketing its carrier services; (ii) the Company's substantial traffic volumes, which enable the Company to negotiate for lower rates; and (iii) favorable terminating rates negotiated with PTTs and foreign carriers.

The Company primarily markets its international call reorigination services through its overseas network of independent sales representatives. The foreign sales representatives, who are supervised by the Company's U.S.-based sales managers, provide the Company with access to local business and residential customers and new opportunities in the local markets they serve. The Company pays its foreign sales representatives on a

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commission basis. As of October 1999, the Company was represented by over 300 foreign sales representatives worldwide. The Company also has commenced direct sales efforts, primarily through overseas advertising in international print media to penetrate particular market segments that it does not currently serve.

The Company currently markets its prepaid debit cards to retail outlets throughout the U.S. though Union Telecard Alliance, LLC ("Union"), a joint venture company of which the Company owns 51% of the outstanding equity interests. Union is one of the largest distributors of prepaid calling cards in the nation, selling through over 100,000 retail outlets throughout the United States. In July 1999, the Company entered into an agreement with All Americas Cable & Radio ("AACR"), a long distance carrier based in the Dominican Republic, in which the Company will distribute prepaid calling cards in the Dominican Republic on behalf of AACR. As part of its plan to expand its territory beyond the U.S., the Company has begun to establish a distribution network in the Dominican Republic to replicate its calling card distribution network in the United States. Union also plans to begin distributing prepaid cards in Puerto Rico and parts of Central America.

Union has entered into agreements with sub-distributors, located in Chicago, Florida, New York, Ohio and Texas, whereby the sub-distributors have agreed to market the prepaid calling cards of the Company in exchange for preferential pricing, exclusive cards, extensions of credit, incentive bonuses and technical support from the Company which is intended to assist each respective sub-distributor in the growth and development of its business. The exclusive calling cards of the Company will be marketed by the corresponding partnership in a given state.

In addition to selling IDT's prepaid calling cards, Union sells prepaid calling cards of other companies. This allows Union to operate as a "one-stop shop" for the widest possible range of prepaid phone cards, enabling Union to enhance its sales to the retail outlets it currently serves.

IDT also sells rechargeable calling cards, which are distributed primarily through in-flight magazines.

Internet Access

The Company established itself as a leading national provider of Internet access services primarily through extensive broadcast and print advertising to the consumer market. In Fiscal 1997, the Company refocused the marketing efforts of its Internet access operations in order to lower the cost of acquiring new customers. While the Company intends to continue various means of broadcast advertising in select markets, the Company's sales and marketing efforts now are focused primarily on increasing its Internet customer base through (i) OEM transactions, including hardware, software and operating system bundling, (ii) retail channel distribution agreements and (iii) bundling Internet access with long distance telephone service. Additionally, the Company has entered into agreements with other Internet service providers to resell IDT's Internet access services. Through these strategies, the Company believes that it will increase its exposure to the millions of computer users who are potential customers of the Company's Internet access services, while reducing its customer acquisition costs as compared to traditional broadcast and print advertising. As of October 20, 1999, the Internet sales force consisted of approximately 45 employees. The Company's Internet sales staff is closely supervised and undergoes customized and ongoing training to ensure a high level of knowledge and service.

Internet Telephony

Net2Phone markets its Internet telephony services primarily by distributing its products without charge via the Internet and acquiring commercial Net2Phone customers through its prepaid platform. Net2Phone promotes its service through online and Internet-based advertising venues, traditional print advertising in international publications, and electronic media. In addition, Net2Phone has agreements to bundle the required software for Net2Phone, as a value-added component, with the software of other companies, and with other PC and computer equipment. Such bundling agreements have included bundling Net2Phone with a telephone handset product called Internet PhoneJACK(R) developed by Quicknet Technologies, Inc.; this combination is marketed under the name Net2Phone Pro. Net2Phone has entered into strategic marketing and distribution relationships with leading

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Internet companies, including Yahoo!, Infospace.com, Snap.com, ExciteHome and ZD Net. Net2Phone has also entered into arrangements with leading computer equipment and software companies, such as IBM, Compaq and Packard Bell-NEC Europe to include its software with these companies' products.

Net2Phone has agreements with resellers in certain countries, pursuant to which such resellers purchase bulk amounts of Net2Phone minutes in advance, and resell such minutes to users in their own countries as representative sellers of Net2Phone. Net2Phone currently offers Net2Phone Direct in over [illegible] cities in the U.S., and has entered into agreements with Daewoo and Naray in South Korea and Marubeni in Japan to market Net2Phone Direct in those countries. Net2Phone also seeks to sell Net2Phone Direct switch servers to additional third parties in strategic markets worldwide, and to enter into agreements to resell the Click2CallMe service.

In April 1998, Net2Phone began offering its Click2Talk Service, in which an icon is placed on a customer's Web site. When an end-user of the Web site that is equipped with an appropriately configured multimedia PC clicks on the Click2Talk icon, the Net2Phone technology directly dials the customer's toll-free customer service number.

In August 1998, the Company began offering the Click2CallMe service, in which an icon is placed on a customer's Web site. When an end-user of the Web site clicks on the Click2CallMe icon, IDT's callback and Net2Phone technologies notify the customer, and then dials the end-user in order to connect the customer and the end-user.

In February 1999, Net2Phone launched easysurf.com (www.easurf.com) the first web shopping portal powered by Internet telephony. Easysurf.com allows visitors to learn about online merchants' services and to communicate with them through direct voice interaction. Easysurf.com gives users added convenience by listing useful information for key online retailers, including payment and shipping options and return policies. Easysurf.com enables voice communications with over 300 Web sites, and educates users by providing them with essential information needed to buy products online.

In July 1999, Net2Phone entered into an exclusive, four-year distribution and marketing agreement with ICQ, a subsidiary of America Online, to provide Internet telephony services to users of ICQ's instant messaging service. ICQ will embed Net2Phone's Internet telephony software into ICQ's Instant Messenger software on an exclusive basis, allowing ICQ users to make PC-to-phone and PC-to-PC calls and to receive phone-to-PC calls.

International Sales

In Fiscal 1997, 1998 and 1999, international customers accounted for approximately 25%, 11% and 13% of the Company's total revenues, respectively. See Note 9 to the Company's Consolidated Financial Statements. The Company anticipates that revenues from international customers will continue to account for a significant percentage of its total revenues.

Bundling of Service Offerings

The Company bundles its Internet access services with its domestic long distance telephone services. By bundling its long distance phone service with its $15.95 per month discounted dial-up Internet access, the Company is currently able to compete with many major national providers of Internet access by offering rates that are on average 20% lower. By bundling its Internet access services with its rechargeable calling cards, the Internet access rates can be as much as 45% lower. At the same time, the Company differentiates itself from its competitors in the Internet access market who are unable to offer their customers significant savings on their monthly long distance bills. Additionally, the Company is able to leverage its existing Internet sales force for the sale of its bundled long distance and Internet access service.

Customers

Telecommunications

As of October 1, 1999, the Company had approximately 125 wholesale customers located in the U.S. and Europe. The Company supplements this wholesale customer base by offering retail long distance services to individuals and business customers in the U.S. and worldwide, including over 50,000 call reorigination customers. The Company sold over 50,000,000 prepaid calling cards during Fiscal 1999.

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Internet Access

As of October 20, 1999, the Company offered local dial-up access to approximately 65,000 retail customers, provided dedicated access to nearly 500 medium and large-sized businesses, and offered Web hosting services to almost 2,000 customers.

Internet Telephony

As of July 31, 1999, Net2Phone served over 325,000 active customers who made an average of approximately 60 minutes of calls per month, and handled over 25 million minutes of use per month. Approximately 69% of Net2Phone's customers as of July 31, 1999, were based outside of the United States. As of October 10, 1999, Net2Phone had installed the Click2Talk service on approximately 175 commercial Web sites.

Billing and Customer Support

IDT believes that reliable, sophisticated and flexible billing and information systems are essential to its ability to remain competitive in the global telecommunications market. Accordingly, the Company has invested substantial resources to develop and implement its proprietary management information systems.

The Company's billing system enables the Company to (i) accurately analyze its network traffic, revenues and margins by customer and by route on an intra-day basis; (ii) validate carrier settlements; and (iii) monitor least cost routing of customer traffic. The entire process is fully automated and increases efficiencies by reducing the need for monitoring by the Company's employees. The Company believes that the accuracy and efficiency of its management information systems provide it with a significant strategic advantage over other emerging carriers.

The Company's majority-owned Net2Phone subsidiary has also developed a sophisticated real-time management information system for its Internet telephony services. This system allows Net2Phone to monitor the length and quality of the calls that are placed over its Net2Phone and Net2Phone Direct systems, thereby helping to ensure a high level of service and more efficient routing of calls. In addition, this system helps Net2Phone prevent fraud, and assists in the customer management process by automatically informing customers of new information, including system upgrades.

The Company believes that its ability to provide adequate customer support services is a crucial component of its ability to retain customers. The Company has successfully focused on improving such service through a number of measures, including the addition of support personnel and the monitoring of customer waiting time. The customer support staff provides 24-hour technical assistance in addition to general service assistance. Customer support personnel communicate with subscribers via telephone, e-mail and fax. The Company requires that each customer support staff member field a minimum number of calls and e-mails each day. The Company also employs liaisons between the customer support and technical staffs to ensure maximum responsiveness to changing customer demands.

Network Infrastructure

The Company maintains an international telecommunications switching infrastructure and U.S. domestic network, consisting of owned and leased lines that enable it to provide an array of telecommunications, Internet access and Internet telephony services to its customers worldwide. IDT believes it enjoys competitive advantages by utilizing this network to carry both voice and Internet traffic, resulting in the optimization of both its network utilization and associated capital.

IDT's network is monitored 24 hours a day, seven days a week, and 365 days a year by its network operations center. The entire network is centrally managed from IDT's control center through the use of a standardized communications protocol. In addition, two proprietary monitoring systems are used to manage modem pools.

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Telecommunications Network

Private Line Network

The Company operates a growing telephone network consisting of resold international switched services, U.S. domestic dedicated leased fiber optic lines, and Company-owned switch equipment in the U.S. which are interconnected to major PTTs, emerging carriers and domestic interexchange carriers, local exchange carriers and competitive local exchange carriers. IDT's major switching facilities are located in Piscataway, N.J., Westfield, N.J., Newark, N.J., New York, N.Y. and London, England. These varied locations serve to provide the network with redundancy and diversity. All of these locations are linked with the dominant local exchange carrier as well as at least one of the competitive local exchange carriers, allowing the Company to interconnect with all major interexchange carriers to switch traffic via the Company's leased private-line DS3 network. Furthermore, all of the Company's locations are interconnected via leased lines to enhance network reliability and redundancy as each location interconnects with the various carriers.

In September 1998, the Company entered into a $32 million, 20 year IRU agreement with Frontier Communications of the West, Inc. ("Frontier") to obtain dedicated DS-1, DS-3, OC-3 and OC-12 circuit capacity in the U.S. over Frontier's network, connecting more than 120 metropolitan areas around the nation. These network facilities will enable the Company to expand the range and reliability of its data and voice transmission service, while reducing network costs. IDT will be able to offer nationwide dial-up long distance and dial-around (10xxx) services, reduce 800-origination costs and provide for origination and termination of carrier traffic in all major U.S. cities.

In October 1999, the Company entered into an agreement with Frontier whereby IDT will enhance its ability to provide presubscribed long distance (1+) and dedicated and toll-free services throughout the United States as well as casual calling (10xxx) in selected areas of the country. The additional capacity will significantly enhance IDT's ability to provide long distance dial up services.

In addition, the Company owns and leases switched services to connect its U.S. and U.K. facilities. These services are used to originate traffic from IDT's customer base in the U.K. and to terminate existing carrier and call reorigination traffic to the U.K. The Company has about 65 operating and terminating agreements that provide for the termination of traffic in over [illegible] countries, including agreements with companies based in Spain, the Dominican Republic, Italy, Bangladesh, Cyprus and Chile. The Company also plans to obtain leased lines to these destinations, which will result in reduced costs for termination to these countries. The Company has also targeted countries such as the Netherlands, Germany and France for network expansion due to the large number of minutes the Company presently terminates and the size of the Company's installed base of telecommunications customers in these countries.

International Telecommunications Acquisitions & Agreements

In January 1999, the Company signed agreements with France Telecom, Deutsche Telkom, Swisscom N.A. and Telefonica de Espana, four major telecommunications companies based in Europe, to establish a direct fiber-optic connection between the companies for international long distance service. The agreement establishes direct channels between the companies' international switching points and the Company's facilities in the United States and United Kingdom. The Company has already established a presence in the United Kingdom with its facilities-based switch, and has purchased more than 12,000 kilometers of undersea cable connecting the United States, Canada and the United Kingdom.

In February 1999, the Company acquired Orion Telekom BV, a Netherlands based provider of telecommunications services. Through this acquisition, the Company procured a contractual relationship with Royal KPN NV ("KPN") the leading phone company in the Netherlands, and associated physical interconnections, an installed Alcatel S12 switch, an operating license in Holland and a facility in Rotterdam. The Company's voice licensing in the Netherlands coupled with the interconnection available through KPN has enabled the Company to offer wholesale and retail carrier services in the Dutch market.

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Switching Platforms

The Company utilizes two major switching platforms. The Company uses its Excel LNX switches for its application-based products such as call reorigination, direct dial, call through, prepaid calling cards, and value-added services such as voice prompts, speed dialing, voice mail and conferencing. The Excel LNX is flexible and programmable, and is designed to implement network-based intelligence quickly and efficiently. The Company currently owns 65 Excel LNX switches. The other platform is the Nortel DMS-300, which serves as an international gateway and generic carrier switch. The

Company currently owns four Nortel switches. The Company plans to upgrade its switching platforms in Los Angeles, Miami and New Jersey during Fiscal [illegible]. All of the Company's switches are modular, scaleable and equipped to signal in such protocols as ISDN or SS7 so as to be compatible with either domestic or foreign networks.

The Company plans to use other technologies, including Nortel [illegible] switches, which allow for the dynamic allocation of voice and data traffic, to enable the Company's Internet network to be used for the transmission of traditional telephone minutes. If successfully developed, this leveraging of IDT's Internet network could provide considerable cost efficiencies for transporting a substantial portion of the Company's domestic voice traffic.

Software

The Company's Excel LNX switch incorporates Company-developed software which efficiently performs all the applications the Company requires to provide value-added services, as well as billing and traffic analysis. The software enables the Excel LNX to route all calls via the Company's least-cost routing platform. Least-cost routing is a process by which the Company optimizes the routing of calls over the least-cost route on its switch for over [illegible] countries. In the event that traffic cannot be handled over the least-cost route due to capacity or network limitations, the least-cost routing system is designed to transmit the traffic over the next least-cost route. The least-cost routing system analyzes several variables that may affect the cost of a long distance call, including different suppliers, different time zones and multiple choices of terminating carrier in each country. In some instances, instead of routing a call directly between two overseas points, the least-cost routing system may backhaul an overseas carrier's minutes using resold switched services to the Company's U.S.-based switch in order to terminate the traffic in a third country while taking advantage of the Company's competitive U.S.-based international long distance rates. The least-cost routing system is continually reviewed in light of rates available from different suppliers to different countries to determine whether the Company should add new suppliers to its switch to further reduce the cost of routing traffic to a specific country and to maintain redundancy, diversity and quality within the switching network. By utilizing a least-cost routing system, the Company is able to minimize its costs, and offer lower rates to its customers.

Internet Network

The Company operates a national Internet network comprised of a leased DS3 45 megabits per second backbone of high speed fiber optic lines connecting eight major cities across the U.S., and leased dedicated T1 fiber optic lines connecting smaller cities to the network. The network backbone uses state-of-the-art routing platforms including Cisco Series 7000 routers and Nortel [illegible] Magellan switches. The DS3 backbone connects traffic at four major Internet "meet" points where the Company maintains switching and routing equipment and has peering arrangements to exchange Internet traffic with over [illegible] other Internet backbone providers. To minimize the potential detrimental effects of single points of failure, the Company deploys a minimum of two dedicated leased data lines to each backbone node and remotely positions secondary servers for all configuration and authentication hosts. Multiple data segments are used in high traffic areas to minimize packet loss and to reduce the frequency of congestion in the network. Also, major IDT backbone nodes employ routing switches for directing network traffic. To further enhance network performance, the Company employs an "Open Shortest Path First" protocol, which allows data traffic to be routed most efficiently.

The Company seeks to retain flexibility and to maximize its opportunities by utilizing a continuously changing mix of routing alternatives. This diversified approach is intended to enable the Company to take advantage of the rapidly evolving Internet market in order to provide low-cost service to its customers.

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The Company utilizes the local dial-up switching infrastructure of several Alliance Partners across the country to supplement the Company's owned and operated local dial-up infrastructure. The Alliance Partners, which are independently-owned Internet service providers, employ routing and modem equipment which meet the Company's standards for providing dial-up access services. The Company offers the Alliance Partners a monthly fee for each customer account routed through their local access networks. The Company also provides billing, advertising, marketing and customer acquisition services, in exchange for which the Alliance Partners provide local Internet access. The agreements with Alliance Partners generally have one year terms and do not prohibit the Company from constructing its own local installed POP where warranted.

The Company entered into an agreement with PSINet Inc. ("PSINet") in 1996 to use PSINet as the primary Alliance Partner for the Company's dial-up Internet access customers in areas where PSINet has POPs and where there are no other Alliance Partners. The Company leases and operates a dedicated T3 connection to the PSINet network in order to maintain control of the Company's provisioning of customers and to provide customers with access to electronic mail and newsfeeds. Through the buildout of its own infrastructure and its agreement to utilize the PSINet network as well the local networks of its Alliance Partners, IDT's network now provides local dial-up Internet access through more than 400 POPs, of which the Company owns 33.

Research and Development

The Company employs a technical staff that is devoted to the improvement and enhancement of the Company's existing telecommunications and Internet products and services, including switching technologies and the development of new technologies and products. The Company believes that the ability to adjust and improve existing technology and to develop new technologies in response to, and in anticipation of, customers' changing demands is necessary to compete in the rapidly changing telecommunications and Internet industries. There can be no assurance that the Company will be able to successfully develop new technologies or effectively respond to technological changes or new industry standards or developments on a timely basis, if at all.

In connection with the Company's acquisition of InterExchange in May 1998, the Company acquired InterExchange's in-process research and development relating to alternative switching and compression technologies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Fiscal 1998 Compared to Fiscal 1997--Acquired Research and Development." IDT has chosen to discontinue the acquired research and development projects in favor of utilizing advanced vendor technologies.

Competition

The markets in which the Company operates are extremely competitive and can be significantly influenced by the marketing and pricing decisions of the larger industry participants. The barriers to entry are not insurmountable in any of the markets in which the Company competes. The Company expects competition in these markets to intensify in the future.

Telecommunications

The market for prepaid calling cards has become highly competitive. In the prepaid calling card market, the Company competes with other providers of prepaid calling cards and with providers of telecommunications services in general. Many of the largest telecommunications providers, including AT&T, MCI WorldCom and Sprint, currently market prepaid calling cards, which in certain cases, compete with the prepaid calling cards sold by the Company. These companies are substantially larger and have greater financial, technical, engineering, personnel and marketing resources, longer operating histories, greater name recognition and larger customer bases than the Company. The Company also competes with smaller, emerging carriers in the prepaid calling card market, including Star Telecommunications, Inc., RSL Communications, Ltd., and Pacific Gateway Exchange, Inc. In marketing prepaid calling cards to customers outside the U.S. market, the Company competes with the large PTTs, such as British Telecommunications (BT) in the U.K. The Company believes that additional competitors are likely to enter the prepaid calling card market (including Internet-based service providers and other telecommunications companies) during the next several years.

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With respect to its other telecommunication services, the Company competes with (i) interexchange carriers and other long distance resellers and providers, including large carriers such as AT&T, MCI WorldCom and Sprint; (ii) foreign PTTs; (iii) other providers of international long distance services such as STAR Telecommunications, Inc., Pacific Gateway Exchange, Inc., RSL Communications Ltd. and Viatel, Inc.; (iv) alliances that provide wholesale carrier services, such as Global One (Sprint, Deutsche Telekom AG and France Telecom S.A.) and Uniworld (AT&T, Unisource-Telecom Netherlands, Telia AB, Swiss Telecom PTT and Telefonica de Espana S.A.); (v) new entrants to the domestic long distance market such as the regional bell operating companies in the U.S., who have announced plans to enter the U.S. interstate long distance market pursuant to recent legislation conditionally authorizing such entry, and utilities such as RWE Aktiengesellschaft in Germany; and (vi) small long distance resellers. Moreover, some of the Company's competitors have announced business plans similar to the Company's regarding the expansion of telecommunications networks into Europe. Many of the Company's competitors are significantly larger and have substantially greater market presence, as well as greater financial, technical, operational, marketing and other resources and experience than the Company.

The Company competes for customers in the telecommunications markets primarily based on price and, to a lesser extent, the type and quality of service offered. Increased competition could force the Company to reduce its prices and profit margins if its competitors are able to procure rates or enter into service agreements that are comparable to or better than those the Company obtains, or are able to offer other incentives to existing and potential customers. Similarly, the Company has no control over the prices set by its competitors in the long distance resale carrier-to-carrier market.

Internet Access

The Company's current and prospective competitors in the Internet access market include many large companies that have substantially greater market presence, as well as greater financial, technical, operational, marketing and other resources and experience than the Company. The Company's Internet access business competes or expects to compete directly or indirectly with several types of companies: (i) other national and regional commercial Internet service providers, such as NETCOM On-Line Communication Services, Inc. ("NETCOM"), and Earthlink Network, Inc. ("Earthlink"); (ii) established online services companies that offer Internet access, such as America Online, Inc. ("AOL"), CompuServe Interactive Services, Inc. ("CompuServe") and Prodigy Communications Corporation ("Prodigy"); (iii) computer software and technology companies such as Microsoft; (iv) national long distance telecommunications carriers, such as AT&T, MCI WorldCom and Sprint; (v) regional bell operating companies; (vi) cable television operators, such as Comcast Corporation Liberty Media Group ("Liberty Media") and Time Warner Inc. ("Time Warner"); (vii) nonprofit or educational Internet service providers; (viii) newly-licensed providers of spectrum-based wireless data services; and (ix) competitive local telephone service providers such as AT&T and MCI WorldCom.

The Company believes that its ability to compete successfully in the Internet access market depends upon a number of factors including: (i) market presence; (ii) the adequacy of the Company's customer support services; (iii) the capacity, reliability and security of its network infrastructure; (iv) the ease of access to and navigation of the Internet; (v) the pricing policies of its competitors and suppliers; (vi) regulatory price requirements for interconnection to and use of existing local exchange networks by Internet service providers; (vii) the timing of introductions of new products and services by the Company and its competitors; (viii) the Company's ability to support existing and emerging industry standards; and (ix) trends within the industry as well as the general economy. There can be no assurance that the Company will have the financial resources, technical expertise or marketing and support capabilities to continue to compete successfully in the Internet access market.

Internet Telephony

The long distance telephony market and, in particular, the Internet telephony market, is highly competitive. Net2Phone's competitors include AT&T, MCI WorldCom and Sprint in the United States and foreign telecommunications carriers. During the past several years, a number of companies have introduced services that

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make Internet telephony services available to businesses and consumers. In addition to Net2Phone, AT&T Jens (a Japanese affiliate of AT&T), IDT Communications, IPVoice.com, ITXC, OzEmail (which was acquired by MCI WorldCom), RSL Communications (through its Delta Three subsidiary), I-Link and iBasis (formerly known as VIP Calling) provide a range of voice-over-the-Internet services. These companies offer PC-to-phone or phone-to-phone services that are similar to the services Net2Phone offers. Some, such as AT&T Jens and OzEmail, offer these services within limited geographic areas. Additionally, a number of companies have recently introduced Net-based voice-mail services and voice-chat services to Internet users.

Regulation

Telecommunications

As a multinational telecommunications company, the Company is subject to varying degrees of regulation in each of the jurisdictions in which it operates. As a non-dominant carrier lacking substantial power to influence market prices in the U.S., the Company's provision of international and domestic long distance telecommunications services in the U.S. is generally subject to less regulation than a carrier that has such power. Despite recent trends toward deregulation, some of the countries in which the Company intends to provide telecommunications services do not currently permit the Company to provide public switched voice telecommunications services. In those countries in which the Company operates that are not yet open to public switched voice service competition, the Company provides services to closed user groups and a variety of value-added services, as permitted by each country's laws.

Regulation of Domestic Telecommunications Services. In the U.S., provision of the Company's services is subject to the provisions of the Communications Act, as amended by the Telecommunications Act of 1996 (the "Telecommunications Act") regulations promulgated thereunder, as well as the applicable laws and regulations of the various states administered by the relevant state authorities. The recent trend in the U.S., for both federal and state regulation of telecommunications service providers, has been in the direction of reducing regulation. Nonetheless, the FCC and relevant state authorities continue to regulate ownership of transmission facilities, provision of services and the terms and conditions under which the Company's services are provided. Non-dominant carriers, such as the Company, are required by federal and state law and regulations to file tariffs listing the rates, terms and conditions for the services they provide. In October 1996, the FCC adopted an order (the "Detariffing Order") which eliminated the requirement that non-dominant interstate carriers such as the Company maintain tariffs on file with the FCC for domestic interstate services. The Detariffing Order has been appealed to the U.S. Court of Appeals for the D.C. Circuit, and a stay has been issued pending a decision on the merits of the appeal. It is unclear when the Court will rule on the appeal.

On May 8, 1997, the FCC issued an order to implement the provisions of the Telecommunications Act relating to the preservation and advancement of universal telephone service (the "Universal Service Order"). The Universal Service Order requires all telecommunications carriers providing interstate telecommunications services to contribute to universal support by contributing to (i) a fund for schools and libraries, (ii) a fund for rural health care and (iii) a fund for the development of regions characterized by high telecommunications costs and low income levels (collectively, the "Universal Service Funds"). These contributions became due beginning in 1998 for all providers of interstate telecommunications services. Such contributions are assessed based on certain defined interstate and international end user telecommunications revenues. Contribution factors vary quarterly, and carriers, including the Company, are billed each month. In addition, many state regulatory agencies have instituted proceedings to revise state universal support mechanisms to make them consistent with the requirements of the Telecommunications Act. As a result, the Company will be subject to state, as well as federal, universal service fund contribution requirements, which will vary from state to state.

In July 1999, the United States Court of Appeals for the Fifth Circuit released its decision reviewing the FCC's Universal Service Order. This decision will have a significant impact on carrier's obligations to make payments to the FCC's Universal Service Funds. The Court found that the FCC cannot include intrastate revenues in the calculation of universal service contributions. Local exchange carriers' revenues are largely intrastate and their interstate revenues are primarily from other carriers and not subject to universal service assessment.

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Therefore, the contributions required to be made by these carriers will be sharply reduced, placing an even greater burden on interexchange carriers, including the Company, to fund the universal service program. The Court also reversed the FCC's decision to include the international revenues of interstate carriers in the universal service contribution base.

In implementing the Court's decision, the FCC has amended its universal service fund rules and removed intrastate-end user telecommunications revenues from the assessment base for the schools and libraries and rural health care support mechanisms. The FCC will assess contributions to the universal service program using a single contribution factor based on interstate and international end-user telecommunications revenues. The proposed contribution factor for November and December 1999 is 5.8% of interstate and international end-user telecommunications revenues. This increase in the universal service contribution factor may significantly increase the Company's contribution to the FCC's Universal Service Fund.

Pursuant to the Universal Service Order, all carriers are required to submit a Universal Service Fund worksheet in March and September of each year. Starting April 1, 2000, carriers will be required to annually file a single telecommunications reporting worksheet for the FCC's Universal Service Fund, Telecommunications Relay Services, Local Number Portability, and North American Numbering Plan programs. The amounts remitted to the Universal Service Fund may be billed to the Company's customers. If the Company does not bill these amounts to its customers, its profit margins may be less than if it had elected to do so. However, if the Company elects to bill these amounts to its customers, customers may reduce their use of the Company's services, or elect to use the services provided by the Company's competitors, which may have a material adverse effect upon the Company's business, financial condition, or results of operations.

On September 29, 1999, Bell Atlantic-New York ("BANY") filed with the FCC its Section 271 application for authority to provide interLATA interexchange service to customers in New York. The FCC has ninety days to review BANY's Section 271. Southwestern Bell Telephone Company ("SWBT") has received the Texas Public Utilities Commission's approval of its Section 271 application to provide interLATA interexchange service to customers in Texas and will soon file its Section 271 application with the FCC. If the FCC subsequently approves BANY's and SWBT's Section 271 applications, interexchange carriers, such as the Company, will be subjected to increased competition from these companies in the New York and Texas markets for interexchange services. As a result, the Company may face increased pressure to reduce its rates for interexchange services which may have an adverse impact on the Company's revenues. In addition, it is likely that Bell Atlantic, SWBT, US West, and Bell South will shortly file Section 271 applications in additional states, which if granted, would further increase competition in the provision of interexchange services and result in downward price pressures for such services in these states.

The FCC recently instituted a rulemaking proceeding in which it is determining whether to allow the regional bell operating companies to provide advanced data services (certain of which are currently provided by the Company) through a structurally separated and largely deregulated subsidiary. Such companies are currently barred from providing such services, except under certain limited circumstances. The proposed rulemaking would permit the provision of such services to cross the boundaries of the approximately 200 local telephone calling areas that were created in 1984 in connection with the divestiture by AT&T of the regional bell operating companies. If the FCC adopts such a rule, it could have a material adverse affect on the Company by enabling the regional bell operating companies to more effectively compete with the Company with respect to these services.

In addition to regulation by the FCC, the majority of the states require the Company to register or apply for certification prior to initiating intrastate interexchange telecommunications services. To date, the Company, together with its subsidiaries, is authorized through certification, registration or on a deregulated basis to provide intrastate interexchange telecommunications services in 49 states. State issued certificates of authority to provide intrastate interexchange telecommunications services can generally be conditioned, modified, canceled, terminated or revoked by state regulatory authorities for failure to comply with state law and/or the rules, regulations and policies of the state regulatory authorities. Fines and other penalties also may be imposed for such violations.

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U.S. Regulation of International Telecommunications Services. International common carriers, such as the Company, are required to obtain authority under Section 214 of the Communications Act and file a tariff containing the rates, terms and conditions applicable to their services prior to initiating their international telecommunications services. The Company has obtained a global Section 214 authority from the FCC to use, on a facilities and resale basis, various transmission media for the provision of international switched and private line services. Non-dominant international carriers such as the Company must file their international tariffs and any revisions thereto with one day's notice. Under the FCC's revised rules, international telecommunications service providers are only required to file copies of their contracts with dominant foreign carriers, and these contracts may be filed with the FCC on a confidential basis. The FCC's rules also require that the Company file periodically a variety of reports regarding the volume of its international traffic and revenues and use of international facilities. In addition to the general common carrier principles, and as discussed below, the Company is also required to conduct its facilities-based international business in compliance with the FCC's International Settlements Policy (the "IS Policy"), or an FCC approved alternative settlement arrangement.

The Company's FCC authorizations also permit the Company to resell international private lines interconnected to the public switched telephone networks ("PSTNs") for the provision of switched services in those countries that have been found by the FCC to offer "equivalent opportunities" to U.S. carriers or to WTO member countries without a finding of equivalency where certain settlement rate requirements are met. To date, the FCC has approved the provision of switched services over private lines, interconnected to the public switched network, between the United States and the following countries: Canada, the U.K., Sweden, Australia, the Netherlands, New Zealand, Germany, France, Belgium, Denmark, Luxembourg, Norway, Austria, Switzerland, Italy, Japan, Hong Kong, Ireland, Spain, Iceland, Finland, and Israel. The FCC currently imposes certain restrictions upon the use of the Company's private lines between the U.S. and such approved countries. The Company may not route traffic to or from the U.S. over a private line between the U.S. and an "approved" country (such as the U.K.) if such traffic originates or terminates in a third non-"approved" country at rates that are not publicly available. Following implementation of the Full Competition Directive by member states of the European Union, and the WTO Agreement by the signatories, the FCC may authorize the Company to originate and terminate traffic over its private line between the U.S. and the U.K. and (pursuant to ISR authority) over additional private lines to additional countries.

The FCC administers a variety of international service regulations, including the IS Policy. The IS Policy governs the permissible arrangements between U.S. carriers and their foreign correspondents to settle the cost of terminating traffic over each other's networks, the rates for such settlement and permissible deviations from these policies. As a consequence of the increasingly competitive global telecommunications market, the FCC has adopted a number of policies that permit carriers to deviate from the IS Policy under certain circumstances that promote competition. The FCC also requires carriers such as the Company to report any affiliations, as defined by the Commission, with foreign carriers.

In May 1999, the FCC issued an order exempting competitive carriers and specified competitive routes from the IS Policy. Specifically, the FCC's May 1999 Order eliminated the IS Policy for arrangements with non-dominant foreign carriers (i.e., those that lack market power) and for arrangements with any carrier, dominant or non-dominant, on routes deemed "competitive" by the FCC. The FCC has determined that the following international routes qualify for relief from the FCC's IS Policy and associated filing requirements: Canada, Denmark, France, Germany, Hong Kong, Ireland, Italy, The Netherlands, Norway, Sweden, and the U.K. Historically, the Company's exemption from the IS Policy has been a chief factor enabling it to offer competitive international long distance services. Under the FCC's May 1999 order, providers of traditional telephone services will have increased flexibility to enter into more economically efficient arrangements with foreign correspondent carriers, which could, over time, decrease the competitive price advantage of the Company's international services, and make these services less attractive to our customers.

The Company offers its call reorigination services pursuant to an FCC authorization (the "Section 214 Switched Voice Authorization") under Section

214 of the Communications Act and certain relevant FCC decisions. The FCC has determined that call reorigination services that use uncompleted call signaling do not

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violate U.S. or international law, but has held that U.S. companies providing such services must comply with the laws of the countries in which they operate as a condition of such companies' Section 214 Switched Voice Authorizations. The FCC reserves the right to condition, modify or revoke any Section 214 Authorizations and impose fines for violations of the Communications Act or the FCC's regulations, rules or policies promulgated thereunder, or for violations of the clear and explicit telecommunications laws of other countries that are unable to enforce their laws against call reorigination using uncompleted call signaling. FCC policy provides that foreign governments that satisfy certain conditions may request FCC assistance in enforcing their laws against call reorigination providers based in the U.S. that are violating the laws of these jurisdictions. Thirty countries have formally notified the FCC that call reorigination services violate their laws. The FCC has held that it would consider enforcement action against companies based in the U.S. engaged in call reorigination by means of uncompleted call signaling in countries where this activity is expressly prohibited. The FCC has granted a complaint by the Philippines Long Distance Company, Inc. and required U.S. carriers to stop providing call reorigination to customers in the Philippines. This decision is subject to petitions for reconsideration. There can be no assurance that the FCC will not take further action in the future. Enforcement action could include an order to cease providing call reorigination services in such country, the imposition of one or more restrictions on the Company, monetary fines or, in extreme circumstances, the revocation of the Company's Section 214 Switched Voice Authorization, and could have a material adverse effect on the Company's business, financial condition and results of operations. The FCC is currently considering a petition filed by the Telecommunications Resellers Association requesting that the FCC cease enforcing foreign laws against call reorigination.

Regulatory requirements pertinent to the Company's operations will continue to evolve as a result of the WTO Agreement, federal legislation, court decisions, and new and revised policies of the FCC. In particular, the FCC continues to refine its international service rules to promote competition, reflect and encourage liberalization in foreign countries and reduce international accounting rates toward cost. In connection with this process, the FCC adopted new lower accounting rate benchmarks that became effective on January 1, 1998. Under the FCC's new benchmarks, after a transition period of one to four years, depending on a country's income level, U.S. carriers may be required to pay foreign carriers significantly lower rates for the termination of international services. These rates range from a $0.15/minute benchmark for upper income countries such as the U.K. to $0.23/minute for lower income countries such as China. Moreover, the FCC has revised its Foreign Carrier Entry Policy as part of its efforts to change its rules to implement the WTO Agreement.

To date, the FCC has made no pronouncement as to whether refiling arrangements are inconsistent with the regulations of the U.S. or the International Telecommunication Union (the "ITU"), and a 1996 petition to the FCC for declaratory ruling regarding Sprint's Fonecomm service was recently withdrawn. Although it is possible that the FCC will determine that refiling violates U.S. and/or international law and that such a finding could have a material adverse effect on the Company's business, operating results and financial condition, the FCC is not currently considering such issues in any active proceeding.

European Regulation of Telecommunications Services. In Europe, the regulation of the telecommunications industry is governed at a supranational level by the European Union. The European Union's institutions, such as the European Commission, are responsible for creating pan-European policies. Through its legislation, the European Union has developed a regulatory framework aimed at creating an open, competitive telecommunications market. The European Union was established by the Treaty of Rome and subsequent conventions and the European Commission and the Council of Ministers of the European Union are authorized by such treaties to issue European Union "directives." European Union member states are required to implement these directives through national legislation. If an European Union member state fails to adopt such directives, the European Commission may take action, including referral to the European Court of Justice, to enforce the directives.

In 1990, the European Union issued the Services Directive, which required each European Union member state to abolish existing monopolies in telecommunications services, with the exception of voice telephony. The intended effect of the Services Directive was to permit the competitive provision of all services, including value-added services and voice services to closed user groups, other than public voice telephony. However, as a

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consequence of local implementation of the Services Directive through the adoption of national legislation, there are differing interpretations of the definition of prohibited voice telephony and permitted value-added and closed user group services. Voice services accessed by customers through leased lines are permissible in all European Union member states. The European Commission has generally taken a narrow view of the services classified as public voice telephony, declaring that voice services may not be reserved to the ITOs if (i) dedicated customer access is used to provide the service; (ii) the service confers new value-added benefits on users; or (iii) calling is limited by a service provider to a group having legal, economic or professional ties.

In March 1996, the European Union adopted the Full Competition Directive containing two provisions which required European Union member states to allow the creation of alternative telecommunications infrastructures by July 1, 1996, and which reaffirmed the obligation of European Union member states to abolish the ITOs' monopolies in voice telephony by 1998. The Full Competition Directive encouraged European Union member states to accelerate the liberalization of voice telephony. Certain European Union countries were allowed to delay the abolition of monopolies in public voice telephony based on exemptions established in the Full Competition Directive. These countries include Luxembourg (July 1998), Spain (December 1998), Portugal and Ireland (January 2000) and Greece (January 2002). Subsequently, Ireland decided to liberalize its regulations as of an earlier date, December 1, 1998. The European Commission has brought infringement proceedings against the following countries for failure to comply with European Union Directives: Belgium, Denmark, Greece, Italy, Luxembourg and Portugal.

In addition to the foregoing regulations, the European Union has adopted the Interconnection Directive and the Licensing Directive. These measures attempt to harmonize telecommunications regulations among the member states of the European Union. The Interconnection Directive provides that ITOs are obligated to interconnect with other operators requesting to do so, and to enter into such arrangements on transparent, objective and non-discriminatory terms. Disputes over interconnection rates, terms and conditions have arisen in several member states, and there can be no guarantee that they will be resolved in a manner that will not have a material adverse effect on the Company's operations in Europe. The Licensing Directive provides for the establishment of a national regulatory authority independent of the ITO in each member state of the European Union, and provides that member states may reject applications for licenses only upon certain narrowly-defined grounds.

Each European Union member state in which the Company currently conducts or plans to conduct its business has a different regulatory regime, and such differences have continued beyond January 1998. The requirements for the Company to obtain necessary approvals vary considerably from one member state to another and are likely to change as competition is permitted in new service sectors. In addition, member states may require individual licenses for reserved public telephony services and the creation of alternative infrastructure, but not for data, value-added or closed user group services.

In connection with the growth of its European operations, the Company has obtained a number of licenses to provide telecommunications services in Europe. Through its U.K. subsidiary, IDT Global Limited ("IDT Global"), the Company has obtained a license to provide international simple voice resale services in the U.K., and a license to operate domestic and international telecommunications facilities in the U.K. IDT Global has also obtained a license to provide voice telephony services in Frankurt, Germany. In addition, through its Dutch holding subsidiary, IDT Europe BV, the Company has obtained a nationwide voice license in France. In addition, the same subsidiary holds a General Telecommunications License in Ireland.

In February 1999, the Company acquired Orion Telekom BV, a Netherlands based provider of telecommunications services. Included in the purchase was Orion's Netherlands voice license. Orion, (now known as IDT Netherlands BV) is a wholly-owned subsidiary of IDT Europe BV, a wholly-owned subsidiary of the Company. In Austria, a voice license has been obtained for Strategic Telecommunications Belgium.

Other Overseas Markets. The Company is subject to the regulatory regimes in each of the countries in which it conducts business. Local regulations range from permissive to restrictive, depending upon the country.

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In the past, the Company has experienced problems in certain countries and has, in certain instances, modified or terminated its services to comply with local regulatory requirements.

Internet Access

Internet service providers are generally considered "enhanced service providers" within the U.S. and are exempt from U.S. federal and state regulations governing common carriers. Accordingly, the Company's provision of Internet access services are currently exempt from tariffing, certification and rate regulation. Nevertheless, regulations governing disclosure of confidential communications, copyright, excise tax, and other requirements may apply to the Company's provision of Internet access services. The Company cannot predict the likelihood that state, federal or foreign governments will impose additional regulation on the Company's Internet business, nor can it predict the impact that future regulation will have on the Company's operations.

The Telecommunications Act of 1996 contained provisions imposing criminal liability on: (1) persons sending or displaying indecent material on an interactive computer service such as the Internet in a manner available to minors and (2) entities knowingly permitting facilities under their control to be used for such activities. These provisions were held to be unconstitutional by the U.S. Supreme Court in 1997. In 1998, Congress passed the Child Online Protection Act ("COPA") which imposes criminal liability and civil liability on any person who by means of the World Wide Web, makes any communication for commercial purposes available to minors that includes material that is harmful to minors. COPA was enacted to prevent minors' access to indecent material on the Internet by criminalizing certain communications to minors and imposing a "filtering" requirement on Internet service providers ("ISPs"). The sections of COPA that impose criminal and civil liability for the dissemination of harmful material to minors have been stayed by the U.S. District Court for the Eastern District of Pennsylvania pending a trial on their constitutionality. However, the "filtering" requirement in COPA has not been stayed, and ISPs must notify users of existing measures (e.g. hardware, software, and filtering devices) that may assist the users in limiting minors' access to harmful material. Subsequent enforcement of the liability provisions of COPA restricting minors' access to harmful material may chill the development of Internet content or have other adverse effects on ISPs such as the Company. In addition, in light of the uncertainty attached to the enforcement of the law, there can be no assurances that the Company would not have to modify its operations to comply with COPA, including, among other things, prohibiting users from maintaining home pages on the Web that contain material deemed harmful to minors.

In December 1996, the FCC initiated a Notice of Inquiry regarding whether to impose regulations or surcharges upon providers of Internet access and Information Service. The Notice of Inquiry, and several ongoing FCC proceedings, seek public comment as to whether to impose or to continue to forebear from regulation of Internet and other packet-switched network service providers. The Notice of Inquiry specifically identifies Internet telephony as a subject for FCC consideration. In addition, in April 1998, the FCC issued a Report to Congress on its implementation of the universal service provisions of the Telecommunications Act. In its report, the FCC indicated that it would reexamine its policy of not requiring Internet service providers to contribute to the universal service mechanisms when they provide their own transmission facilities and engage in data transport over those facilities in order to provide an information service. Any such contribution would be related to the Internet service provider's provision of telecommunications services itself. The Company can not predict the outcome of any future proceedings that may impact the Company's provision of Internet access or that may impose additional requirements, regulations or charges upon ISP's provision of such services.

Internet Telephony

The use of the Internet to provide telephone service is a recent development. Currently, the FCC is considering whether or not to impose surcharges or additional regulations upon certain providers of Internet telephony. In April 1998, the FCC issued its report to Congress concerning its implementation of the universal service provisions of the Telecommunications Act. In the report, the FCC indicated that it would examine the question of whether certain forms of "phone-to-phone" Internet protocol telephony are information services or telecommunications services. It noted that the FCC did not have, as of the date of the report, an adequate record

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on which to make any definitive pronouncements, but that the record before it suggested that certain forms of phone-to-phone Internet telephony appear to have the same functionality as non-Internet protocol telecommunications services and lack the characteristics that would render them information services. If the FCC were to determine that certain services are subject to FCC regulations as telecommunications services, the FCC noted that it may find it reasonable to require Internet service providers to make universal service contributions, pay access charges or to be subject to traditional common carrier regulation.

In September 1998, two regional bell operating companies advised Internet telephony providers that these companies would impose access charges on Internet telephony traffic. One of these bell operating companies also petitioned the FCC for a declaratory ruling that providers of interstate Internet telephony must pay federal access charges and petitioned the public utilities commissions of Nebraska and Colorado for similar rulings concerning payment of access charges for intrastate telephone calls. The regional bell operating company involved in the Colorado proceeding has requested the dismissal of its petition. The Nebraska Public Service Commission ("PSC") has dismissed the regional bell operating company's complaint but plans to hold a public hearing and seek comment on the following issues: (1) whether its preliminary finding that traffic to ISPs is "local" in nature; (2) how carriers should compensate each other for calls placed to ISPs; (3) whether interexchange carriers providing Internet telephony must pay intrastate access charges; and (4) whether ISPs and providers of Internet telephony should contribute to the state universal service fund. The outcome of the Nebraska and FCC proceedings is uncertain. If the FCC or the Nebraska PSC decide that access charges may be levied against Internet telephony providers, the Company's majority-owned Net2Phone subsidiary would have to pay interstate access charges and intrastate access charges in Nebraska. Moreover, if the Nebraska PSC subjects ISPs or Internet telephony providers to state universal service fund contributions, Net2Phone's revenues would be impacted. Should additional state public utility commissions make similar rulings, Net2Phone may not be able to operate profitably in any state that assesses access or universal charges against it.

In September 1999, the FCC initiated a notice of inquiry regarding voice over Internet telephony (both computer to computer and phone to phone Internet telephony) seeking comment on the availability of Internet telephony, the extent it has begun to replace traditional telecommunications services, the percentage of disabled persons who utilize Internet telephony, and whether it falls under the purview of Section 255 of the Telecommunications Act. Section 255 of the Telecommunications Act requires a provider of telecommunications service to ensure that its service is accessible and usable by persons with disabilities, if readily achievable. Should the FCC subsequently decide to adopt rules subjecting Internet Telephony to the requirements of Section 255, it may materially impact the Company's operations by requiring the Company to ensure that its Internet telephony services are compatible with telecommunications devices used by the disabled.

To the Company's knowledge, there are currently no domestic laws or regulations that prohibit voice communications over the Internet. Several efforts have been made to enact federal legislation that would either regulate or exempt from regulation services provided over the Internet. State public utility commissions may also retain jurisdiction to regulate the provision of intrastate Internet telephony services, and could initiate proceedings to do so. A number of countries that currently prohibit competition in the provision of voice telephony have also prohibited Internet telephony. Other countries permit but regulate Internet telephony. If Congress, the FCC, state regulatory agencies, foreign governments or supranational bodies begin to regulate Internet telephony, there can be no assurances that any such regulation will not materially adversely affect the Company's business, financial condition or results of operations.

Intellectual Property

The Company's success and ability to compete is dependent in part upon its technology, although the Company believes that its success is more dependent upon its technical expertise than its proprietary rights. The Company relies on a combination of patent, copyright, trademark and trade secret laws and contractual restrictions to establish and protect its technology. The Company does not currently have any issued patents or registered copyrights. The Company's policy is to require its employees and consultants to execute confidentiality agreements upon the commencement of their relationships with the Company. These agreements provide that confidential information developed or made known during the course of a relationship with the Company is to be kept confidential and may not be disclosed to third parties except in specific circumstances. There can be no assurance that the steps taken by the Company will be adequate to prevent misappropriation of its technology or other proprietary rights or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology. In addition, there can be no assurance that licenses for any intellectual property that might be required by the Company for it to provide its services or products would be available on reasonable terms, if at all.

In connection with the initial public offering of Net2Phone, IDT assigned various pending federal service mark applications and three service mark registrations to Net2Phone on May 7, 1999. IDT also assigned its interest in three United States patent applications relating to the technology underlying the Net2Phone services as well as pending foreign counterpart applications.

The Company owns registered service marks for the mark IDT, IDT and antenna design, Colombianita, Dominicall and Megatel. In addition, the Company has applications pending with respect to the registration of service marks relating to its various operations, including, Click2Reserve, Click2Take, Columbiana, Cyberspace Kids, Debit Talk, Gifts for Gab, Global America, Global Call, IP Central Office, LA Universal, Mega Mexico, Mexicall, Net2Dine.com, Nuestra Voz and Virtual Dime. IDT aggressively protects its intellectual property and continues to build its portfolio of service marks.

In addition, the Company has entered into an agreement pursuant to which it has received a non-exclusive license to utilize in certain European countries the technologies covered by a European patent relating to the processing of calls made with prepaid calling cards. Under the agreement, the Company is entitled to receive royalties from companies selling prepaid calling cards in Europe who acquire license rights under the patent or against which the patent is successfully enforced. Under the patent agreement, the Company is permitted to grant sublicenses with respect to prepaid calling cards in Europe, and receive royalties from such sublicenses. The Company expects that this arrangement will be attractive to European carriers because it will enable them to fulfill demand for their services without raising their total costs, and the Company believes that it will help to accelerate the growth of its carrier business in Europe.

Employees

As of October 20, 1999, the Company and its subsidiaries had a total of approximately 1,271 employees, including 373 in technical support and customer service, 125 in sales and marketing, 115 in technical staff, 115 in general operations and 100 in management and finance. The Company also had a total of 35 employees in Europe. Union Telecard Alliance, LLC, in which the Company has a 51% interest, employed 75 persons. The Company's majority-owned Net2Phone subsidiary had 333 full-time employees as of October 20, 1999.

The Company believes that its relations with its employees are good. None of the Company's employees is represented by a labor union or covered by a collective bargaining agreement, and the Company has never experienced a work stoppage.

Item 2. PROPERTIES.

The Company's principal facilities total approximately 66,000 square feet and are primarily located in two buildings in Hackensack, New Jersey. The Company occupies facilities in one building pursuant to a lease which expires on April 30, 2002 and occupies office space in a second building, pursuant to a lease with an entity controlled by Howard S. Jonas, the Company's Chairman and Chief Executive Officer, which expired in December 1999; however, the Company renewed the lease for an additional two year term. The Company also leases additional office space totaling approximately 6,000 square feet in two separate buildings located in Hackensack, New Jersey. The Company's 51% owned subsidiary, Union, occupies approximately 4,000 square feet of space pursuant to a ten year sublease agreement.

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On March 25, 1999, IDT entered into a 10 year lease agreement for approximately 12,000 square feet in Newark, New Jersey and on July 12, 1999, IDT entered into a 10 year lease agreement for approximately 6,000 square feet of space in Los Angeles, California, both primarily to house telecommunications equipment. In addition, IDT leases space (typically less than 500 square feet) in various other geographic locations to house the telecommunications equipment for each of its POPs.

On April 20, 1999, IDT's subsidiary, 225 Old NB Road, Inc., purchased the building leased by IDT and its subsidiary, InterExchange, located in Piscataway, New Jersey, consisting of approximately 65,295 square feet, of which IDT and InterExchange occupy approximately 40,857 square feet. The balance of the building is sublet to third parties.

In support of its international expansion efforts, the Company maintains various international office locations, including in London, England; Paris, France; Santa Fe Colony, Mexico; and Rotterdam, the Netherlands.

Item 3. LEGAL PROCEEDINGS.

In December 1995, Surfers Unlimited, L.L.C. filed a breach of contract action in the New Jersey Superior Court, Bergen County. The suit names a subsidiary of the Company as defendant and seeks restitutional and consequential damages in an unspecified amount for interference with prospective business advantages, breach of contract and improper use of confidential and proprietary information. Howard S. Jonas has also been named as a defendant in the action. The Company's subsidiary has filed a counterclaim based on interference with prospective business advantages, breach of contract and improper use of confidential and proprietary information. In September 1999, the Company's subsidiary, Howard S. Jonas and Surfers Unlimited L.L.C. entered into a confidential settlement agreement.

In January 1997, six former employees alleging employment discrimination commenced a suit in New Jersey Superior Court, Bergen County. Howard S. Jonas has also been named as a defendant in the action. The action claims that the Company has made hiring and promotion decisions based upon the religious backgrounds of the relevant individuals, in violation of federal and state law. The complaint seeks compensatory and punitive damages in an unspecified amount and also seeks statutory multiples of damages. All of the claims arising under federal law were dismissed by the Court in New Jersey Superior Court, Bergen County, leaving the plaintiffs with only the remedies available under state law. Further, the Court granted the Company permission to file counterclaims against all plaintiffs for the alleged unlawful taking of business records. The Company filed such counterclaims in October 1998. Discovery is continuing and a settlement conference has been scheduled for November 10, 1999.

In August 1998, a subsidiary of the Company, InterExchange, Inc. ("IX"), filed a complaint in the New Jersey Superior Court, Middlesex County, against PT-1 Communications, Inc. ("PT-1"). The action has been removed to the U.S. District Court for the District of New Jersey. The action arises from a contract in which IX and PT-1 agreed that PT-1 would route its traffic from prepaid calling cards through IX's debit card platform. In the action, IX claimed that PT-1 breached its contract with IX by failing to make required payments under the contract, and claimed compensatory damages in the amount of

$8.5 million. In February 1999, PT-1 filed an answer and counterclaim and third party complaint against IX, the Company, and certain of their officers, including Howard S. Jonas. PT-1 alleges that IX is not entitled to these payments in that IX had breached the agreement, and that, following IX's 1998 merger agreement with the Company, in which IX become a wholly-owned subsidiary of the Company, IX violated its covenant in the agreement that it would not compete with PT-1. PT-1 also alleges, among other things, that the Company and Mr. Jonas tortiously interfered with the contract between IX and PT-1, and that they conspired with IX and its personnel to obtain confidential information relating to PT-1. PT-1 seeks compensatory damages and punitive damages. In May 1999, the Company and Howard S. Jonas filed an answer to PT-1's third party complaint and IX filed a motion for leave to amend their complaint to add Star Telecommunications and Samer Tawfik as additional defendants and to include the additional claims of tortious interference and fraud in the inducement. The Company and individual plaintiffs

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David Turock, Eric Hecht, Bradley Turock and Richard Robbins have sought leave to amend their counterclaims to include Star Telecommunications as an additional defendant for failure to permit plaintiff to execute certain stock warrants to purchase PT-1 stock. The Court has issued an order which provides that PT-1 may not allege a specific amount of damages although the order does not forbid PT-1 from claiming damages in general. Discovery is continuing and a trial date has not been scheduled.

The Company is subject to other legal proceedings and claims which have arisen in the ordinary course of its business and have not been finally adjudicated. Although there can be no assurances in this regard, in the opinion of the Company's management, such proceedings, as well as the aforementioned actions, will not have a material adverse effect on results of operations or the financial condition of the Company.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

The Common Stock has been quoted on the Nasdaq National Market under the symbol "IDTC" since March 15, 1996, the date of the Company's initial public offering. The table below sets forth the high and low sales prices for the Common Stock as reported by the Nasdaq National Market for the fiscal periods indicated.

<TABLE>
<CAPTION>

	High	Low
<S>	<C>	<C>
Fiscal Year ended July 31, 1998		
First Quarter	$20.13	$ 7.88
Second Quarter	25.25	15.50
Third Quarter	30.13	25.38
Fourth Quarter	30.00	21.50
Fiscal Year ended July 31, 1999		

First Quarter..	[illegible]	[illegible]
Second Quarter...	[illegible]	[illegible]
Third Quarter..	[illegible]	[illegible]
Fourth Quarter...	[illegible]	[illegible]

</TABLE>

On October 29, 1999, the last sale price reported on the Nasdaq National Market for the Common Stock was $22.875 per share. On the same date, there were approximately 390 holders of record of the Common Stock. The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of the Common Stock on October 29, 1999, was approximately $547 million. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock (assuming conversion of the Company's outstanding Class A Common Stock into Common Stock) have been excluded from this computation in that such persons may be deemed to be affiliates of the Company. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The Company has never declared or paid any dividends on its Common Stock and does not expect to pay dividends for the foreseeable future. The Company's current policy is to retain all of its earnings to finance future growth. Any future declaration of dividends will be subject to the discretion of the Board of Directors of the Company. The availability of funds for the payment of dividends by the Company is dependent on dividends the Company may receive from its subsidiaries, which is subject to certain limitations under state laws. In addition, the Indenture relating to the Company's Senior Notes imposes certain restrictions upon the Company's ability to declare dividends on its Common Stock while the Notes are outstanding.

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Item 6. SELECTED FINANCIAL DATA.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below for each of the five years in the period ended July 31, 1999 has been derived from the Company's consolidated financial statements, which have been audited by Ernst & Young LLP, independent auditors. The selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto and other financial information appearing elsewhere in this Report.

<TABLE>
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	Year Ended July 31				
	1995	1996	1997	1998 Restated	1999 Restated
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Revenues:					
Telecommunications........	$10,789	$ 35,708	$ 99,937	$203,864	[illegible]
Internet..................	875	21,986	32,895	23,001	[illegible]
Net2Phone.................	--	--	2,385	11,508	[illegible]
Total revenues..........	11,664	57,694	135,187	238,373	[illegible]
Costs and expenses:					
Direct cost of revenues.....	7,544	36,438	92,214	240,860	[illegible]
Selling, general and					

administrative	5,992	25,799	41,545	61,976	[illegible]
Acquired research and development	--	--	--	17,800	--
Depreciation and amortization	303	1,212	4,873	13,818	[illegible]
Total costs and expenses	13,839	73,449	138,632	334,549	[illegible]
Income (loss) from operations	(2,175)	(15,755)	(3,445)	828	[illegible]
Other, net(1)	30	112	(392)	(425)	[illegible]
Income tax provision (benefit)	--	--	--	(2,824)	[illegible]
Minority interests	--	--	--	3,896	[illegible]
Net income (loss)	(2,145)	(15,643)	(3,837)	(969)	[illegible]
Subsidiary redeemable preferred stock dividends	--	--	--	--	[illegible]
Net loss available to common stockholders	$(2,145)	$(15,643)	$ (3,837)	$ (969)	$[illegible]
Net loss per share-basic and diluted	$ (.13)	$ (.86)	$ (.18)	$ (0.03)	$ [illegible]
Weighted average number of shares used in calculation of net loss per share-basic	16,569	18,180	21,153	28,571	[illegible]
Balance Sheet Data:					
Cash and cash equivalents	$ 232	$ 14,894	$ 7,674	$118,284	$ [illegible]
Working capital (deficit)	(884)	13,547	4,087	166,181	[illegible]
Total assets	4,197	43,797	58,837	461,240	[illegible]
Long-term debt	--	--	5,241	101,936	[illegible]
Total stockholders' equity	911	26,843	23,239	282,792	[illegible]

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(1) For Fiscal 1996, Fiscal 1998 and Fiscal 1999 includes extraordinary losses on retirement of debt, net of income taxes, of $239, $132 and $1,270 respectively.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

General

IDT is a leading facilities-based emerging multinational carrier that provides its wholesale and retail customers with integrated and competitively priced international and domestic long distance telecommunications service, Internet access and, through its majority-owned Net2Phone subsidiary, Internet telephony products and services. IDT delivers these services over a high-quality network consisting of 70 switches in the U.S. and Europe and owned and leased capacity on 16 undersea fiber optic cables. In addition, the Company obtains additional transmission capacity from other carriers.

The Company delivers its international traffic worldwide pursuant to the agreements with U.S.-based carriers, foreign carriers, and 23 of the companies that are primarily responsible for providing telecommunications services in particular countries (many of which are commonly referred to as PTTs). In addition, IDT maintains a high-speed network that carries Internet traffic in order to support both its Internet access services and its Internet telephony services. The Company has grown considerably in recent years, generating revenues of $135.2 million, $335.4 million and $732.2 million in Fiscal 1997, Fiscal 1998 and Fiscal 1999, respectively.

History

The Company entered the international call reorigination business in 1990 to capitalize on the opportunity created by the spread between U.S. and foreign-originated international long distance telephone rates. IDT leveraged the expertise derived from, and calling volume generated by, its call reorigination business to enter the domestic long distance business in late 1993, by reselling long distance services of other carriers to IDT's domestic customers. As a value-added service for its domestic long distance customers, the Company began offering Internet access in early 1994, eventually offering dial-up and dedicated Internet access to individuals and to businesses as stand-alone services. In 1995, IDT began reselling to other long distance carriers access to the favorable telephone rates and special tariffs the Company receives as a result of the calling volume generated by its call reorigination customers. IDT entered the Internet telephony market in August 1996 with its introduction of Net2Phone, and expanded its Internet telephony offerings in October 1997 with the introduction of its Net2Phone Direct service. The Company began marketing its prepaid calling cards in January 1997.

In May 1998, the Company acquired a 51% interest in Union Telecard Alliance, LLC which distributes the Company's prepaid calling cards in key markets nationwide. In May 1998, the Company also acquired InterExchange, an operator of one of the largest international prepaid calling card platforms in the United States.

Revenues

Beginning in Fiscal 1997, the Company began to place increased emphasis on its international telecommunications operations and less emphasis on its Internet access services. In Fiscal 1998 and Fiscal 1999, the Company focused its marketing efforts on expanding the wholesale services offered to other carriers, developing and increasing its retail prepaid calling card business and broadening its range of Internet telephony services and products. As a result of these developments, the Company's telecommunications revenues as a percentage of total revenues increased from 90.6% for Fiscal 1998 to 93.1% for Fiscal 1999. In addition, the Company's revenues from telecommunications operations increased from $303.9 million during Fiscal 1998 to $681.6 million during Fiscal 1999. Revenues from the Company's telecommunications operations are derived primarily from the following activities: (i) domestic and international prepaid calling cards; (ii) wholesale carrier services to other long distance carriers; (iii) international retail long distance services to individuals and businesses worldwide (primarily provided through call reorigination services); and (iv) domestic long distance services to individuals and businesses. The Company generates revenues from the sale of its prepaid calling cards to distributors, selling them to distributors at a discount to their face values of different denominations, and

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recording the sales as deferred revenue until the card user utilizes the calling time. Revenues from the Company's Internet operations are derived primarily from providing Internet access services to individuals and businesses. The Company's majority-owned subsidiary Net2Phone's revenues are derived from the marketing of Net2Phone and Net2Phone Direct services and equipment to individuals, businesses and the Company's foreign partners.

Concentration of Customers

While the Company's most significant customers vary from quarter to quarter, the Company's five largest customers accounted for 20.6% of revenues in Fiscal 1997, 26.2% of revenues in Fiscal 1998 and 10.9% of revenues in Fiscal 1999. This concentration of revenues increases the risk of nonpayment by customers, and other carriers have experienced significant write-offs related to the provision of wholesale carrier services in situations in which large customers failed to pay their outstanding balances. The Company performs ongoing credit evaluations of its customers, but it generally does not require collateral to support accounts receivable from its customers.

Costs and Expenses

Direct cost of revenues for the Company's telecommunications services include costs associated with the transmission and termination of international and domestic long distance services. Historically, this expense has primarily been variable, based upon minutes of use, and consists mainly of payments to other long distance carriers and, to a lesser extent, customer/carrier interconnect charges, leased fiber circuit charges and switch facility costs. The direct cost of revenues for Internet access and NetZone services consists primarily of leased circuit and network costs and local access costs. Direct cost of revenues for Internet services also includes fees paid to the Company's Alliance Partners.

The Company operates a growing facilities-based telecommunications network consisting of (i) 70 switches in the U.S. and Europe; (ii) owned and leased transmission capacity on 16 undersea fiber optic cables connecting the Company's U.S. facilities with its international facilities, and with the facilities of its foreign partners in Europe, Latin America and Asia; and (iii) resale capacity obtained on a per-minute basis from other carriers. The Company seeks to follow a disciplined strategy of establishing significant traffic volumes prior to investing in fixed-cost facilities. As the Company expands its network and the volume of its traffic, the cost of revenues will increasingly consist of fixed costs associated with leased and owned lines, as well as costs arising from the ownership and maintenance of its switches. The fixed nature of these costs may lead to larger fluctuations in gross margins, depending on the minutes of traffic and associated revenues generated by the Company. The Company also expects that these factors will cause the direct cost of revenues to decline as a percentage of revenues over time. However, the improvement in gross margins which would result from an expansion in the Company's network could be partially offset by pricing pressures caused by intense competition, which would have a negative impact on margins.

Selling expenses consist primarily of sales commissions paid to independent agents and internal salespersons and advertising costs, which are the primary cost associated with the acquisition of customers. General and administrative expenses include salaries, benefits, professional fees and other corporate overhead costs. These costs have increased in recent fiscal years due to the development and expansion of the Company's operations and corporate infrastructure.

The Company's telecommunications revenues are generally associated with lower selling, general and administrative expenses than are the Company's Internet revenues, and the Company's revenues from its wholesale sales of telecommunications services have generally had lower selling, general and administrative expenses than have other types of telecommunications revenues. As a result of these factors, and as a result of the increasing percentage of the Company's revenues that are derived from telecommunications services and the decreased emphasis placed on Internet access services, the Company's selling, general and administrative expenses generally have declined as a percentage of total revenues. However, as the Company expects its prepaid calling card and Internet telephony businesses to grow, it is likely that selling, general and administrative expenses will also grow as a percentage of revenues.

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Initial Public Offering of Net2Phone

On August 3, 1999, Net2Phone completed an initial public offering of 6,210,000 shares of its Common Stock (the "Initial Public Offering"), yielding $85.3 million in net proceeds. After the Initial Public Offering, the Company owned 56.2% of the capital stock of Net2Phone. The Company owns Class A stock that has twice the voting power of Net2Phone's Common Stock. Therefore, after the Initial Public Offering, the Company controlled 64.0% of Net2Phone's vote.

Subsequent Events

Telefonica Agreement

In October 1999, IDT entered into a joint venture agreement with Terra Networks, S.A. (formerly known as Telefonica Interactiva, S.A.) pursuant to which the parties formed two limited liability companies to provide Internet services and products for customers in the United States, mainly targeting and focusing on the Hispanic population in the United States. One company was formed to provide Internet access to customers in the target market, and IDT contributed its dial-up Internet access customers, its managerial resources and facilities and its portfolio of current and future products for Internet access to the new company in exchange for a 49% ownership interest. The other company was formed to develop and manage an Internet portal that will provide content-based Internet services, electronic commerce offerings and other Internet services to customers in the target market. IDT will assist in developing relationships with content producers and content providers and will sell advertising on this new company's portal in exchange for a 10% ownership interest. Terra Networks has agreed to fund the first $30 million of expenses for the ISP joint venture, subject to the completion of certain performance criteria.

IDT's 49% interest in the Internet access company is accounted for using the equity method of accounting. The Company's 10% interest in the Internet portal company is accounted for at cost.

IDT/Westmintech Joint Venture

In September 1999, a subsidiary of the Company entered into an agreement to form a joint venture with Westmintech Company, L.L.C., to provide high speed voice and data services, including without limitation local and long distance telephone service (dedicated and 1+), cable television service (cable and/or fiber optic), on line service with direct Internet access and Internet access services (DSL, dedicated and dial up) and various other Internet services and other technology to the tenants of commercial and residential properties worldwide. The Company will have a 75% ownership interest in the joint venture which it will consolidate.

Results of Operations

The following table sets forth the percentage of revenues represented by certain items in the Company's statement of operations (revenues and costs and expenses are presented net of intercompany transactions):

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	Year Ended July 31		
	1997	1998	1999

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Revenues:			
Telecommunications	74.0	90.6	93.5
Internet	24.3	6.0	2.3
Net2Phone	1.7	3.4	4.2
	100.0%	100.0%	100.0%
Costs and expenses:			
Direct cost of revenues	68.2	71.6	78.3
Selling, general and administrative	30.7	18.6	17.6
Acquired research and development	--	5.3	--
Depreciation and amortization	3.6	4.1	5.2
Total costs and expenses	102.5	99.7	101.1
Income (loss) from operations	(2.5)	0.3	(1.1)
Other (net)	(0.3)	(0.1)	(0.9)
Income (loss) before income taxes, minority interests and extraordinary items	(2.8)	0.2	(2.0)

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Fiscal 1999 Compared to Fiscal 1998

Results of Operations

Revenues. Revenues increased 118.3% from approximately $335.4 million in Fiscal 1998 to approximately $732.2 million in Fiscal 1999. Telecommunications revenues increased 125.3% from approximately $303.9 million in Fiscal 1998 to approximately $684.6 million in Fiscal 1999. Internet access revenues decreased 15.3% from approximately $20.0 million in Fiscal 1998 to approximately $16.9 million in Fiscal 1999. Internet telephony revenues increased 166.6% from approximately $11.5 million in Fiscal 1998 to approximately $30.7 million in Fiscal 1999.

Telecommunications revenues increased 125.3%, primarily as a result of a 247.5% increase in minutes of use, from approximately 805.8 million to approximately 2.8 billion. Telecommunications minutes increased primarily due to the addition of wholesale carrier service clients, increased usage by existing clients, and increased marketing and sales of the Company's prepaid calling cards. The addition of wholesale carrier services clients and the increased use by existing clients resulted in an increase in wholesale carrier services revenues of 73.4%, from approximately $166.7 million in Fiscal 1998 to approximately $289.0 million in Fiscal 1999. As a percentage of telecommunications revenues, wholesale carrier service revenues decreased from approximately 54.9% to 42.2%, primarily due to the significant increase in prepaid calling card revenues both in real dollars and as a percentage of overall telecommunications revenues. Revenues from sales of prepaid calling cards increased 236.7% from approximately $108.1 million in Fiscal 1998 to approximately $364.0 million in Fiscal 1999. As a percentage of telecommunications revenues, prepaid calling card revenues increased from approximately 35.6% to approximately 53.2%. As a percentage of telecommunications revenues, international retail services revenues decreased from 7.5% to 3.0%.

As a percentage of total revenues, Internet access revenues decreased from approximately 6.0% for Fiscal 1998 to approximately 2.3% for Fiscal 1999. This decrease was due to the substantial increase in telecommunications revenues as a percentage of total revenues, as well as a dollar decrease in Internet access revenues due to a decrease in total dial-up subscribers.

Internet telephony revenues as a percentage of total revenues increased from 3.4% for Fiscal 1998 to 4.2% for Fiscal 1999. The increase in Internet telephony revenues was primarily due to an increase in billed-minute usage resulting from increased marketing of Net2Phone's Internet telephony products and services.

Direct Cost of Revenues. The Company's direct cost of revenues increased by 138.7% from approximately $240.9 million in Fiscal 1998 to approximately $575.0 million in Fiscal 1999. As a percentage of total revenues, these costs increased from 71.8% in Fiscal 1998 to 78.5% in Fiscal 1999. The dollar increase is due primarily to increases in underlying carrier and connectivity costs, as the Company's telecommunications minutes of use, and associated revenues, grew substantially. As a percentage of total revenues, the increase in direct costs reflects lower gross margins associated with wholesale carrier services and prepaid calling card services as compared with international retail and Internet access services. Gross margins were also adversely affected by network constraints as demand for usage outpaced the rate of deployment of additional network capacity.

Selling, General and Administrative. Selling, general and administrative costs increased 107.3% from approximately $62.0 million in Fiscal 1998 to approximately $128.5 million in Fiscal 1999. As a percentage of total revenues, these costs decreased from 18.5% in Fiscal 1998 to 17.6% in Fiscal 1999. The increase in these costs in dollar terms is due primarily to increased sales and marketing efforts for retail services, including prepaid calling cards, domestic and international long distance, Net2Phone and Net2Phone Direct, as well as increased salaries, facilities costs and professional fees related to the expansion of the Company's infrastructure to handle its rapid sales growth. Included in salaries is $16.9 million of non-cash compensation as a result of option grants made by our majority-owned Net2Phone subsidiary in the fourth quarter of Fiscal 1999.

Depreciation and Amortization. Depreciation and amortization costs increased 164% from approximately $13.8 million in Fiscal 1998 to approximately $36.4 million in Fiscal 1999. As a percentage of revenues, these costs increased from 4.1% in Fiscal 1998 to 5.0% in Fiscal 1999. These costs increased in absolute terms

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primarily as a result of amortization of goodwill and other intangible assets that resulted from the Company's acquisition of InterExchange in the fourth quarter of fiscal 1998 and the Company's higher fixed asset base during Fiscal 1999 as compared with Fiscal 1998 reflecting the Company's efforts to expand its telecommunications network infrastructure, enhance its Internet network and expand its facilities. The Company anticipates that depreciation and amortization costs will continue to increase as the Company continues to add to its asset base allowing it to implement its growth strategy.

Income (loss) from Operations. The Company's loss from operations was $7.7 million in Fiscal 1999 compared to income from operations of $8.8 million in Fiscal 1998. Income from operations for the Company's telecommunications business increased to approximately $24.9 million in Fiscal 1999 from $10.5 million in Fiscal 1998. The Company's loss from operations in Fiscal 1998 includes a one-time charge of $17.9 million as a write-off of purchased in-process research and development costs in connection with the Company's acquisition of InterExchange. As a percentage of telecommunication revenues, income from operations for the telecommunications business increased to 3.6% in Fiscal 1999 from approximately 3.5% in Fiscal 1998. Fiscal 1998 income from telecommunications operations excluding the one-time purchased in-process research and development write-off, was approximately $28.4 million, which is 9.3% of telecommunications revenues.

Loss from operations for the Company's Internet access business increased to approximately $8.2 million in Fiscal 1999 from approximately $7.0 million in Fiscal 1998. The increased loss is primarily due to decreased revenues resulting from a decrease in total dial-up subscribers.

Loss from operations of the majority owned Net2Phone subsidiary increased to approximately $24.4 million for Fiscal 1999, compared to a loss of approximately $2.7 million for Fiscal 1998. This increase is due primarily to the non-cash compensation charge of $16.0 million described above, coupled with a substantial increase in both sales and marketing expenses as well as general and administrative expenses incurred as Net2Phone expanded distribution relationships, corporate infrastructure and human resources.

Income Taxes. The Company recorded income tax expense of $7.2 million attributable to continuing operations in Fiscal 1999. An income tax benefit of $4.3 million upon the exercise of stock options was recorded directly into additional paid-in capital in Fiscal 1999. In Fiscal 1998, the Company recorded an income tax benefit of $1.9 million from the reversal of the previously established deferred tax valuation allowance. The allowance was reversed as the realization of the net deferred tax asset was more likely than not. A portion of the benefit that related to the tax deduction upon the exercise of stock options was recorded directly into additional paid in capital.

Acquired In-Process Research and Development. The Company did not incur any expense related to acquired in-process research and development during Fiscal 1999. The Company's statement of operations for Fiscal 1998 reflects a non-recurring charge of $17.9 million, representing the portion of the purchase price paid for InterExchange allocated to the in-process research and development of alternative switching and compression technologies. Neither of these projects has been successfully completed at this time, and both projects have been terminated. Currently, the Company is not contemplating any additional acquisitions of in-process research and development.

Subsidiary Redeemable Preferred Stock Dividends. On May 13, 1999, Net2Phone designated 3,150,000 shares of its preferred stock as Series A ("Series A Stock") and sold 3,140,000 of such shares to unrelated third parties in a private placement transaction for aggregate gross proceeds of $31,400,000.

The Series A Stock contained beneficial conversion features. The total value of the beneficial conversion features approximated $75 million. For accounting purposes the value of the beneficial conversion features was limited to the amount of proceeds allocated to the Series A Stock. The Company recorded an increase in net loss available to common stockholders on the date of issuance of the Series A Stock in the amount of approximately $26.3 million representing their allocable share of the amount attributable to the beneficial conversion feature.

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Each share of Series A Stock was converted into three shares of Net2Phone Class A Common Stock at the time of Net2Phone's initial public offering. Upon completion of Net2Phone's initial public offering and concurrent conversion of Series A Preferred Stock into Class A Common stock, the Company recorded a pretax gain of approximately $65,537,000 in the first quarter of Fiscal 2000. Deferred taxes of approximately $26.2 million have been provided on the gain.

Fiscal 1998 Compared to Fiscal 1997

Revenues. Revenues increased 148.1% from approximately $135.2 million in Fiscal 1997 to approximately $335.4 million in Fiscal 1998. Telecommunications revenues increased 204.0% from approximately $99.9 million in Fiscal 1997 to approximately $303.9 million in Fiscal 1998. Internet access revenues decreased 39.2% from approximately $32.9 million in Fiscal 1997 to approximately $20.0 million in Fiscal 1998, reflecting the Company's decision in Fiscal 1997 to de-emphasize its activities in this area. Internet telephony revenues increased 388.6% from approximately $2.4 million in Fiscal 1997 to approximately $11.5 million in Fiscal 1998.

Telecommunications revenues increased 204.0%, primarily as a result of a 244.7% increase in minutes of use, from approximately 233.8 million to approximately 805.8 million, offset in part by a decline in revenue per minute from $0.43 to $0.38. Telecommunications minutes increased primarily due to the addition of wholesale carrier service clients, increased usage by existing clients, and increased marketing and sales of the Company's prepaid calling cards. The offsetting decline in revenue per minute resulted from variations in the mix of telecommunications revenue. The addition of wholesale carrier services clients and the increased use by existing clients resulted in an increase in wholesale carrier services revenues of 157.6%, from approximately $64.7 million in Fiscal 1997 to approximately $166.7 million in Fiscal 1998. As a percentage of telecommunications revenues, wholesale carrier service revenues decreased from approximately 64.8% to 54.9%, primarily due to the significant increase in prepaid calling card revenues both in real dollars and as a percentage of overall telecommunications revenues. Revenues from sales of the Company's prepaid calling cards, which the Company began to market in January 1997, increased from approximately $2.6 million in Fiscal 1997 to approximately $108.1 million in Fiscal 1998. As a percentage of telecommunications revenues, prepaid calling card revenues increased from approximately 2.6% to approximately 35.6%. As a percentage of telecommunications revenues, international retail services revenues decreased from 27.3% to 7.5%.

As a percentage of total revenues, Internet access revenues decreased from approximately 24.3% for Fiscal 1997 to approximately 6.0% for Fiscal 1998. This decrease was due to the substantial increase in telecommunications revenues as a percentage of total revenues, as well as a dollar decrease in Internet access revenues due to a decrease in total dial-up subscribers.

Internet telephony revenues as a percentage of total revenues increased from 1.7% for Fiscal 1997 to 3.4% for Fiscal 1998. The increase in Internet telephony revenues was primarily due to an increase in billed-minute usage, and the sale of $1.5 million of equipment during Fiscal 1998.

Direct Cost of Revenues. The Company's direct cost of revenues increased by 161.2% from approximately $92.2 million in Fiscal 1997 to approximately $240.8 million in Fiscal 1998. As a percentage of total revenues, these costs increased from 68.2% in Fiscal 1997 to 71.8% in Fiscal 1998. The dollar increase is due primarily to increases in underlying carrier costs as the Company's telecommunications minutes of use, and associated revenue, grew substantially. As a percentage of total revenues, the increase in direct costs reflects lower gross margins associated with wholesale carrier services as compared with international retail and Internet access services.

Selling, General and Administrative. Selling, general and administrative costs increased 49.0% from approximately $41.5 million in Fiscal 1997 to approximately $62.0 million in Fiscal 1998. As a percentage of total revenues, these costs decreased from 30.7% in Fiscal 1997 to 18.5% in Fiscal 1998. The increase in these costs in dollar terms is primarily due to increased sales and marketing efforts for retail services, specifically pre-paid calling cards for the periods prior to the purchase of Union Telecard Alliance, LLC. As a percentage of total revenues, the decrease was primarily due to the substantial increase in total revenues for Fiscal 1998.

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Depreciation and Amortization. Depreciation and amortization costs increased 183% from approximately $4.9 million in Fiscal 1997 to approximately $13.8 million in Fiscal 1998. As a percentage of revenues, these costs increased from 3.6% in Fiscal 1997 to 4.1% in Fiscal 1998. These costs increased in absolute terms primarily as a result of the amortization of goodwill and other intangible assets that resulted from the Company's acquisition of InterExchange in the fourth quarter of Fiscal 1998 and the Company's higher fixed asset base during Fiscal 1998 as compared with Fiscal 1997 due to the Company's efforts to expand its telecommunications network infrastructure, enhance its Internet network and expand its facilities. The Company anticipates that depreciation and amortization costs will continue to increase as the Company continues to implement its growth strategy.

Income (loss) from Operations. The Company's loss from operations was $3.4 million in Fiscal 1997 compared to income from operations of $0.8 million in Fiscal 1998. Income from operations for the Company's telecommunications business increased to approximately $10.5 million in Fiscal 1998 from $5.7 million in Fiscal 1997. The Company's loss from operations in Fiscal 1998 includes a one-time charge of $17.9 million as a write-off of purchased in-process research and development costs in connection with the Company's acquisition of InterExchange. As a percentage of telecommunication revenues, income from operations for the telecommunications business decreased to 3.5% in Fiscal 1998 from approximately 5.7% in Fiscal 1997. Fiscal 1998 income from telecommunications operations excluding the one-time purchased in-process research and development write-off, was approximately $28.4 million, which is 9.3% of telecommunications revenues.

Loss from operations for the Company's Internet access business decreased to approximately $7.0 million in Fiscal 1998 from approximately $8.1 million in Fiscal 1997. The decreased loss of the Internet access segment is largely due to the refocusing of the Company's marketing efforts from aggressive mass marketing to new reseller programs.

Loss from operations of the Net2Phone division increased to approximately $2.7 million for Fiscal 1998, compared to a loss of approximately $1.1 million for Fiscal 1997. This change is due to the substantial increase in marketing costs as the Company seeks to gain market share for its Internet telephony products and services and expand its infrastructure.

Income Taxes. In the fourth quarter of Fiscal 1998, the Company recorded an income tax benefit from the reversal of the previously established deferred tax valuation allowance. The allowance was reversed as the realization of the net deferred tax asset was more likely than not. A portion of the benefit that related to the tax deduction upon the exercise of stock options was recorded directly into additional paid in capital.

Acquired In-Process Research and Development. In May 1998, the Company completed its acquisition of InterExchange. The Company's statement of operations for Fiscal 1998 reflects a non-recurring charge of $17.9 million, representing the portion of the purchase price paid for InterExchange allocated to the in-process research and development of alternative switching and compression technologies. Neither of these projects has been successfully completed at this time, and both projects have been terminated. Currently, the Company is not contemplating any additional acquisitions of in-process research and development.

In order to determine the amount of this charge, the Company allocated the excess purchase price over the fair value of InterExchange's net tangible assets acquired to identified intangible assets. In performing this allocation, the Company considered, among other factors, the research and development projects in-process as of the date of acquisition.

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Quarterly Results of Operations

The following tables set forth certain quarterly financial data for the eight quarters ended July 31, 1999. This quarterly information is unaudited, has been prepared on the same basis as the annual financial statements and, in the opinion of the Company's management, reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information for periods presented. Operating results for any quarter are not necessarily indicative of results for any future period.

IDT CORPORATION
CONSOLIDATED QUARTERLY INCOME STATEMENTS
(in thousands, except per share data)

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	Oct. 31, 1997	Jan. 31, 1998	April 30, 1998	July 31, 1998 Restated	Oct. 31, 1998 Restated	Jan. 31, 1999 Restated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:						
Telecommunications.....	$47,804	$63,050	$79,082	$113,026	$123,708	$140,330
Internet...............	4,850	5,194	5,211	4,746	4,669	4,912
Net2Phone..............	2,097	2,709	2,819	3,085	5,302	7,100
Total revenues.........	54,751	70,953	87,112	120,857	133,679	152,341
Costs and expenses:						
Direct cost of revenues..............	40,861	51,449	59,505	91,015	101,674	124,595
Selling, general and administrative........	9,835	13,872	20,344	17,924	17,696	23,759
Acquired research and development...........	--	--	--	17,850	--	--
Depreciation and amortization..........	1,745	2,042	2,765	7,558	7,025	9,825
Total costs and expenses.............	52,441	67,363	82,614	132,127	126,395	158,179
Income (loss) from operations.............	2,310	3,590	4,498	(9,370)	7,283	1,546
Other (net)............	(347)	(436)	337	153	325	(60)
Income (loss) before taxes, minority interests and extraordinary item.....	1,963	3,154	4,835	(9,217)	7,609	1,486
Income tax provision (benefit)..............	--	--	--	(2,321)	2,947	574
Minority interests......	--	--	--	3,836	1,623	562
Income (loss) before extraordinary item.....	1,963	3,154	4,835	(10,789)	3,039	370
Extraordinary item, net of income taxes........	--	--	--	(132)	--	--
Net income (loss).......	1,963	3,154	4,835	(10,921)	3,039	370

Subsidiary redeemable preferred stock dividends.............	--	--	--	--	--	--
Net income (loss) available to common stockholders..........	$ 1,963	$ 3,154	$ 4,835	$(10,921)	$ 3,218	$ [illegible]
Net income (loss) per share--basic...........	$ 0.09	$ 0.14	$ 0.17	$ (0.34)	$ 0.10	$ [illegible]
Weighted average shares outstanding--basic.....	21,999	23,330	28,891	32,269	33,280	[illegible]
Net income (loss) per share--diluted.........	$ 0.08	$ 0.12	$ 0.15	$ (0.34)	$ 0.09	$ [illegible]
Weighted average shares outstanding--diluted...	25,480	27,054	32,693	32,269	35,702	[illegible]

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Liquidity and Capital Resources

General

Historically, the Company has satisfied its cash requirements through a combination of cash flow from operating activities, sales of equity and debt securities and borrowings from third parties. The Company received approximately $10.7 million upon the exercise of stock options and warrants in Fiscal 1999.

In May 1999, The Company entered into a credit agreement with Lehman Commercial Paper Inc., CIBC World Markets Corp., Bankers Trust Company and a Syndicate of lenders. These institutions have provided us with a $160 million credit facility that includes term loans in an aggregate amount of up to $135 million and revolving loans in an amount of up to $25 million and an additional uncommitted amount of up to $100 million. Bankers Trust Company serves as administrative agent for the facility. The Company used the proceeds from the initial borrowings under the credit facility of $108.1 million to purchase more than 99% of its outstanding 8.75% Senior Notes due 2006, together with accrued and unpaid interest, that were tendered in connection with its tender offer for these securities. The amount of $75.0 million of the initial borrowings currently bears interest at a rate of 8.75% per annum and the remaining $33.1 million of the initial borrowings currently bears interest at a rate of 8.25% per annum.

As of July 31, 1999, the Company had cash, cash equivalents and marketable securities of $130.8 million and working capital of approximately $177.4 million. The Company generated negative cash flow from operating activities of approximately $18.3 million during Fiscal 1999, compared with positive cash flow from operating activities of approximately $30.4 million during Fiscal 1998. The Company's cash flow from operations varies significantly from year to year, depending upon the timing of operating cash receipts and payments, especially accounts receivable and accounts payable. Accounts receivable (net of allowances) were approximately $38.0 million and $106.1 million at July 31, 1998 and July 31, 1999, respectively. Accounts receivable, accounts payable and accrued expenses have increased from period to period as the Company's businesses have grown. The Company's capital expenditures increased from approximately $59.3 million in Fiscal 1998 to approximately $60.0 million in Fiscal 1999, as the Company expanded its international and domestic telecommunications network infrastructure. The Company financed a portion of its capital expenditures through capital leases and notes payable.

The Company experiences intense competition in its telecommunications business. The long distance telecommunications industry has been characterized by declines in both per-minute revenues and per-minute costs. In the past, these factors have tended to generally offset each other. However, as per-minute pricing continues to erode, gross margins could come under increasing pressure. The Company's long-term strategy involves terminating a larger proportion of minutes on the Company's own network, thus lowering costs and preserving margins even in a weaker price environment. However, in the short term, the demand for usage might outpace the rate of deployment of additional network capacity. As such, there can be no assurance that the Company will be able to maintain its gross margins at the current level, in the face of lower per-minute revenues.

In addition, the Company will need to make significant capital expenditures in order to expand its network capacity. If the Company is unable to raise sufficient capital to meet its spending requirements, the Company's network expansion, and the associated margin improvement, would be delayed.

Changes in Other Assets, Accounts Receivable, Allowance for Doubtful Accounts and Deferred Revenue

Other current assets increased from $12.1 million at July 31, 1998 to $[illegible] million at July 31, 1999, due primarily to increases in contract deposits at Net2Phone and increases in carrier deposits. The average age of the Company's accounts receivable, as measured by number of days sales outstanding, has been increasing due to a significant increase in sales to more credit-worthy carriers. These carriers demand, and the Company is willing to grant, extended payment terms.

Due to the wide range of collection terms, future trends with respect to days sales outstanding are generally dependent upon the proportion of total sales made to carriers, who are often offered extended payment terms of up to 90 days, and prepaid calling distributors, who generally receive terms of up to 30 days. Therefore, the

<PAGE>

trends in days sales outstanding will depend, in large part, on the mix of (wholesale) carrier versus retail (debit card distributor) customers. In addition, as the Company is willing to extend longer payments terms to credit-worthy customers, an increase in customers belonging to the highest credit class, as a percentage to total customers, could also lead to an increase in days sales outstanding. However, as the foregoing is difficult to predict, it is not possible at this time to determine whether or not the recent trend in days sales outstanding will continue.

The allowance for doubtful accounts as a percentage of accounts receivable decreased, from 14.1% at July 31, 1998, to 6.7% at July 31,1999.

Deferred revenue as a percentage of total revenue varies from period to period dependent upon the mix and the timing of revenue.

Net2Phone Financings

In May 1999, a group of strategic investors purchased from Net2Phone, in the aggregate, 3,140,000 shares of Net2Phone Series A Preferred Stock convertible into 9,420,000 shares of common stock and warrants to purchase up to [illegible] shares of Net2Phone common stock, for a net aggregate purchase price of $[illegible] million. Additionally, Net2Phone issued a warrant to purchase [illegible] shares of its common stock to Hambrecht & Quist as part of its fee as placement agent with respect to this transaction. In August 1999, Net2Phone completed its Initial Public Offering of 6.2 million shares, receiving approximately $81.9 million in net proceeds. At that time the Series A Preferred Stock was converted into Class A Common Stock. The Company owned 56.3% of the capital stock of Net2Phone after the Initial Public Offering.

Other Sources and Uses of Resources

The Company intends to, where appropriate, make strategic acquisitions to increase its telecommunications customer base. Net2Phone may also make strategic acquisitions related to its Internet telephony business. From time to time, the Company evaluates potential acquisitions of companies, technologies, products and customer accounts that complement its businesses.

As of July 31, 1999, the Company had made loans and advances in the aggregate amount of approximately $34.5 million, of which $21.8 million was still outstanding as of July 31, 1999, to other telecommunications and Internet companies to help establish strategic relationships and facilitate penetration into key markets. Of that amount $20.0 million had been repaid as of October 28, 1999, including the entire outstanding balance of a loan made to Lermer Overseas Telecommunications, Inc. The Company may be a party to similar transactions in the future.

The Company believes that, based upon its present business plan, the Company's existing cash resources, and expected cash flow from operating activities and borrowings under its credit facility, will be sufficient to meet its currently anticipated working capital and capital expenditure requirements for at least the next twelve months. If the Company's growth exceeds current expectations or if the Company acquires the business or assets of another company, or if the Company's cash flow from operations after the end of such period is insufficient to meet its working capital and capital expenditure requirements, the Company will need to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such capital on favorable terms or at all. If the Company is unable to obtain such additional capital, the Company may be required to reduce the scope of its anticipated expansion, which could have a material adverse effect on the Company's business, financial condition or results of operations.

Year 2000

The Year 2000 issue affects Company's installed computer systems, network systems and software applications due to the fact that many computers and applications define dates by the last two digits of the year

and "00" may not be properly recognized by such programs as the Year 2000. The Company has dedicated the resources it deems appropriate to address and correct potential Year 2000 problems.

The Company has established a Year 2000 compliance committee (the "Committee"). The Committee's objectives are to eliminate any possible disruptions in services and operations that may result [illegible] the date change in the Year 2000. The Committee has developed a plan to identify and repair any systems that may be affected by the Year 2000. The plan consists of (1) identifying and inventorying all systems; (2) assessing and testing the systems for Year 2000 compliance; (3) modifying, upgrading or replacing any non-compliant systems; and (4) testing the corrected systems to ensure compliance.

The Committee has implemented this plan throughout the Company and, in addition to reviewing its own systems, the Company has initiated inquiries and submitted requests to its third-party vendors and service providers to obtain information regarding their compliance with the Year 2000.

Inventory, assessment, remediation and testing of software applications and hardware systems, including network systems, is substantially complete. The Company will complete the modification, updating or replacement of any systems that to its knowledge are not Year 2000 compliant by the end of November 1999. Testing of the corrected systems has been implemented and will continue on an ongoing basis through October 2000 due to the date October 10, 2000, which is the first occurrence of a date requiring the use of eight digits to define the date. Additional testing will be conducted, as deemed necessary by management.

In particular, the Company has focused on the testing and remediation of its switching facilities to ensure that its network operations through which it provides communications services to its customers are not disrupted by the Year 2000. The Company believes that its own network systems are Year 2000 compliant due to the nature and extent of the testing the Company has conducted and continues to implement on such systems.

The greatest risk to the Company's ability to provide communications services is the failure of third party service providers to be Year 2000 compliant. While many other carriers and Internet providers have plans to independently become Year 2000 compliant, there is the risk that some (particularly smaller carriers and providers) will not address or properly resolve Year 2000 issues. If this were to occur, the Company would be affected only to the same degree as other carriers and Internet providers in the communications industry.

In providing telecommunications services, the Company connects directly and indirectly with thousands of other carriers through switches of the Company and other carriers. The Company has obtained written assurances and information from its primary vendors and providers regarding their year 2000 compliance and, to the best of the Company's knowledge based on such assurances and information, the Company believes there is not a significant risk that the Company's provision of telecommunication services will be materially impacted. In addition, it is unlikely that a network failure of a smaller carrier would have a significant impact on the Company's ability to provide telecommunications services, however, fully addressing any of these risks is beyond the Company's control. In addition, the Company is unable to fully assess the degree to which the manufacturers of switches and similar equipment have assessed and remediated their equipment and software since most are manufactured and maintained by independent third parties. However, most switches are manufactured by manufacturers with a wide range of customers, therefore, such manufacturers would have a vested interest in ensuring Year 2000 compliance and prompt remediation of any Year 2000 issues.

To date, the Company has incurred expenses of less than $1.0 million in connection with its remediation of Year 2000 related issues. The Company constantly monitors its progress of the Year 2000 plan and anticipates that it will resolve any outstanding internal issues before the end of 1999. Contingency plans will be developed and implemented before the end of 1999 for critical systems on an as needed basis should the Company identify any areas for which such plans are appropriate.

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European Currency Conversion

In January 1999, a new currency called the "euro" was introduced in certain Economic and Monetary Union ("EMU") countries. The EMU countries adopted the euro as their common legal currency, and through January 1, 2002, both the existing national currency of the respective EMU country and the euro will be accepted as legal currency. Beginning in 2002, all EMU countries are expected to operate with the euro as their single currency. Uncertainty exists as to the effect the euro currency will have on the market for international telecommunications services. Additionally, all of the final rules and regulations have not yet been defined and finalized by the European Commission with regard to the euro currency. IDT's management does not anticipate, based on currently available information, that the euro will have a material adverse impact on the Company's operations and sales.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

The information set forth under the caption "Fair Value of Financial Instruments" at page F-9 herein is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements and supplementary data of the Company and the report of independent auditors thereon set forth on pages F-1 through F-24 herein are incorporated herein by reference.

Quarterly financial information set forth herein at page 41 is incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item will be contained in the Company's Proxy Statement for its Annual Stockholders Meeting, which will be filed with the Securities and Exchange Commission within 120 days after July 31, 1999, and which is incorporated by reference herein.

Item 11. EXECUTIVE COMPENSATION.

The information required by this Item will be contained in the Company's Proxy Statement for its Annual Stockholders Meeting, which will be filed with the Securities and Exchange Commission within 120 days after July 31, 1999, and which, with the exception of the sections entitled "Report of the Compensation Committee of the Board of Directors" and "Performance Graph of Common Stock," is incorporated by reference herein.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item will be contained in the Company's Proxy Statement for its Annual Stockholders Meeting, which will be filed with the Securities and Exchange Commission within 120 days after July 31, 1999, and which is incorporated by reference herein.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item will be contained in the Company's Proxy Statement for its Annual Stockholders Meeting, which will be filed with the Securities and Exchange Commission within 120 days after July 31, 1999, and which is incorporated by reference herein.

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PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Report:

1. Financial Statements.

2. Financial Statement Schedules.

<TABLE>
<CAPTION>

Schedule No.	Description
<S>	<C>
I.	Valuation and Qualifying Accounts

</TABLE>

3. Exhibits

<TABLE>
<CAPTION>

Exhibit Number	Description
<C>	<S>
3.01(1)	Restated Certificate of Incorporation of the Registrant.
3.02(1)	By-laws of the Registrant.
10.01(2)	Employment Agreement between the Registrant and Howard S. Jonas.
10.02(10)	1996 Stock Option and Incentive Plan, as amended and restated, of the Registrant.
10.03(3)	Form of Stock Option Agreement under the 1996 Stock Option and Incentive Plan.
10.04(4)	Form of Registration Rights Agreement between certain stockholders and the Registrant.
10.05(1)	Lease of 294 State Street.
10.06(5)	Lease of 190 Main Street.
10.7(6)	Form of Registration Rights Agreement between Howard S. Jonas and the Registrant.
10.8(11)	Employment Agreement between the Registrant and James Courter.
10.9(7)	Agreement between Cliff Sobel and the Registrant.
10.10(11)	Employment Agreement between the Registrant and Hal Brecher.
10.11(11)	Employment Agreement between the Registrant and Howard S. Jonas.
10.12(8)	Agreement and Plan of Merger, dated April 7, 1998, by and among the Registrant, ADM Corp., InterExchange, Inc., David Turock, Eric Hecht, Richard Robbins, Bradley Turock, Wai Man Tam, Mary Jo Ritter and Lisa Mikulynec.
10.13(9)	Securities Purchase Agreement between the Registrant, Carlos Gomez

and Union Telecard Alliance, LLC.

10.14(11) Credit Agreement, dated as of May 10, 1999, by and among the Registrant, various lenders party thereto, Lehman Commercial Paper Inc., CIBC World Markets Corp. and Bankers Trust Company.

10.15(11) Pledge Agreement, dated as of May 10, 1999, by and among the Registrant, certain subsidiaries of the Registrant and Bankers Trust Company, as Collateral Agent.

10.16(11) Security Agreement, dated as of May 10, 1999, by and among the Registrant, certain subsidiaries of the Registrant and Bankers Trust Company, as Collateral Agent.

10.17(11) Subsidiaries Guaranty, dated as of May 10, 1999, by and among the Registrant, certain subsidiaries of the Registrant and Bankers Trust Company, as Collateral Agent.

10.18(11) Loan Agreement between the Registrant and Stephen Brown.

10.19+ Internet/Telecommunications Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.

10.20+ Joint Marketing Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.

10.21+ IDT Services Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.

10.22+ Net2Phone Services Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.

10.23+ Assignment Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.

</TABLE>

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Exhibit Number	Description
<C>	<S>
10.24+	Tax Sharing and Indemnification Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.25+	Separation Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.26+	Co-location and Facilities Management Services Agreement, dated as of May 20, 1999, by and between Registrant and Net2Phone, Inc.
21.01+	Subsidiaries of the Registrant
23.01*	Consent of Ernst & Young LLP.
27.01*	Financial Data Schedule.

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* filed herewith

+ previously filed

(1) Incorporated by reference to Form S-1 filed February 21, 1996 file no. 333-00204.
(2) Incorporated by reference to Form S-1 filed January 9, 1996 file no. 333-00204.
(3) Incorporated by reference to Form S-8 filed January 14, 1998 file no. 333-19727.
(4) Incorporated by reference to Form S-1 filed March 8, 1996 file no. 333-00204.
(5) Incorporated by reference to Form 10-K for the fiscal year ended July 31, 1997, filed October 29, 1997.
(6) Incorporated by reference to Form S-1 filed March 14, 1996 file no. 333-00204.
(7) Incorporated by reference to Form 10-K/A for the fiscal year ended July 31, 1997, filed February 2, 1998.
(8) Incorporated by reference to Form 8-K filed April 22, 1999.
(9) Incorporated by reference to Form 10-K/A for the fiscal year ended July 31, 1998, filed December 4, 1998.
(10) Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 1999, filed March 17, 1999.
(11) Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 1999, filed June 14, 1999.

(b) Reports on Form 8-K. The Registrant filed the following Current Reports on Form 8-K during the fiscal year ended July 31, 1999:

On September 29, 1998, the Registrant filed a Current Report on Form 8-K to amend and refile Exhibit 23.1 to Amendment No. 1 to the Registrant's Current Report on Form 8-K which was filed with the Commission on May 26, 1998.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

IDT Corporation

/s/ Howard S. Jonas

By: ______________________________
Howard S. Jonas
Chairman, Chief Executive Officer
and Treasurer

Date: August 11, 2000

Pursuant to the requirements of the Securities Act of 1934, this Annual Report on Form 10-K/A has been signed by the following persons on this 11th day of August, 2000 in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Titles	
<S>	<C>	<C>
/s/ Howard S. Jonas ______________________________ Howard S. Jonas	Chairman and Chief Executive Officer (Principal Executive Officer)	

/s/ James A. Courter James A. Courter	Vice Chairman, President and Director
/s/ Hal Brecher Hal Brecher	Chief Operating Officer and Director
/s/ Stephen R. Brown Stephen R. Brown	Chief Financial Officer and Director (Principal Financial and Accounting Officer)
/s/ Moshe Kaganoff Moshe Kaganoff	Director
/s/ Marc E. Knoller Marc E. Knoller	Director
/s/ Joyce J. Mason Joyce J. Mason	Director
/s/ Geoffrey Rochwarger Geoffrey Rochwarger	Director
/s/ Meyer A. Berman Meyer A. Berman	Director

</TABLE>

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<TABLE>
<CAPTION>

Signature	Titles
<S>	<C>
/s/ J. Warren Blaker J. Warren Blaker	Director
/s/ Denis A. Bovin Denis A. Bovin	Director
Saul K. Fenster	Director
William A. Owens	Director
/s/ William F. Weld William F. Weld	Director

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IDT CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
IDT Corporation

We have audited the accompanying consolidated balance sheets of IDT Corporation (the "Company") as of July 31, 1998 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 1999. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at July 31, 1998 and 1999 and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 1999, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the financial statements, the Company has restated its financial statements for the years ended July 31, 1998 and 1999 to adjust the timing of a gain recognized on the sale of preferred stock by a subsidiary and adjust the determination and allocation of the purchase price relating to a purchase business combination.

ERNST & YOUNG LLP

New York, New York
October 1, 1999

except for Note 1, as to which the date is

July 19, 2000

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IDT CORPORATION

CONSOLIDATED BALANCE SHEETS (RESTATED)

<TABLE>
<CAPTION>

	July 31	
	1998	1999
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$115,283,519	$ [illegible]
Marketable securities	60,308,768	[illegible]
Trade accounts and commissions receivable, net of allowance for doubtful accounts of approximately $6,255,000 at July 31, 1998 and $7,643,000 at July 31, 1999	39,037,974	[illegible]
Notes receivable--current portion	2,149,000	[illegible]
Other current assets	12,096,803	[illegible]
Total current assets	227,867,064	[illegible]
Property, plant and equipment, at cost, net	75,332,476	[illegible]
Trademark, net	--	[illegible]
Notes receivable--long-term portion	21,767,760	[illegible]
Intangible assets, net	124,813,706	[illegible]
Deferred tax assets, net	2,202,800	[illegible]
Other assets	7,256,674	[illegible]
Total assets	$461,240,529	$[illegible]
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 39,793,873	$ [illegible]
Accrued expenses	3,499,391	[illegible]
Interest payable	1,942,577	[illegible]
Deferred revenue	9,175,218	[illegible]
Notes payable--current portion	1,865,849	[illegible]
Capital lease obligations--current portion	3,985,375	[illegible]
Other current liabilities	225,329	[illegible]
Total current liabilities	61,486,318	[illegible]
Notes payable--long-term portion	101,833,092	[illegible]
Capital lease obligations--long-term portion	11,232,053	[illegible]
Total liabilities	174,552,463	[illegible]
Minority interests	1,896,669	[illegible]
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; authorized shares--10,000,000; no shares issued	--	--

Common stock, $.01 par value; authorized shares--100,000,000; 22,848,866 and 23,982,854 shares issued and outstanding in 1998 and 1999, respectively	228,489	239,829
Class A stock, $.01 par value; authorized shares--35,000,000; 10,255,668 and 10,029,758 shares issued and outstanding in 1998 and 1999, respectively	102,557	100,298
Loans to stockholders	--	[illegible]
Additional paid-in capital	305,379,770	[illegible]
Accumulated deficit	(22,918,719)	[illegible]
Total stockholders' equity	282,792,097	[illegible]
Total liabilities and stockholders' equity	$401,240,229	[illegible]

</TABLE>

See accompanying notes.

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IDT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
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	Year ended July 31		
	1997	1998	1999
		Restated	Restated
<S>	<C>	<C>	<C>
Revenue	$135,187,227	$335,372,915	[illegible]
Costs and expenses:			
Direct cost of revenue	92,214,223	240,651,858	[illegible]
Selling, general and administrative	41,544,987	61,974,881	[illegible]
Acquired research and development	--	17,998,000	--
Depreciation and amortization	4,873,142	13,812,409	[illegible]
Total costs and expenses	138,632,352	334,445,148	[illegible]
Income (loss) from operations	(3,445,125)	927,767	[illegible]
Interest expense	(862,954)	(2,978,760)	[illegible]
Interest income	438,112	1,982,951	[illegible]
Other	33,197	103,215	[illegible]
Income (loss) before income taxes, minority interests and extraordinary items	(3,836,770)	35,173	[illegible]
Provision (benefit) for income taxes	--	(2,523,500)	[illegible]
Minority interests	--	3,395,669	[illegible]
Income (loss) before extraordinary items	(3,836,770)	(836,996)	[illegible]
Extraordinary loss on retirement of debt, net of income taxes	--	(132,376)	[illegible]
Net income (loss)	(3,836,770)	(969,372)	[illegible]

Subsidiary redeemable preferred stock dividends....................	--	--	[illegible]
Net loss available to common stockholders......................	$ (3,836,770)	$ (960,372)	$(46,[illegible])
Loss per share:			
Loss before extraordinary items:			
Basic and diluted.................	$ (0.18)	$ (0.02)	$ [illegible]
Extraordinary loss on retirement of debt, net of income taxes:			
Basic and diluted.................	$ --	$ (0.01)	$ [illegible]
Net loss...........................	$ (0.18)	$ (0.03)	$ [illegible]
Weighted average number of shares used in calculation of basic loss per share.........................	21,152,927	28,571,482	33,[illegible]

</TABLE>

See accompanying notes.

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IDT CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common Stock		Class A Stock		Additional Paid-in	St[illegible]
	Shares	Amount	Shares	Amount	Capital	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at July 31, 1996..................	9,666,900	$ 96,669	11,174,330	$111,743	$ 44,[illegible]	$
Compensation expense recognized on issuance of stock options......	--	--	--	--	[illegible]	
Exercise of stock options..............	969,100	9,691	--	--	[illegible]	
Net loss for the year ended July 31, 1997...	--	--	--	--	--	
Balance at July 31, 1997..................	10,636,000	106,360	11,174,330	111,743	46,[illegible]	
Exercise of stock options..............	1,613,366	16,134	--	--	[illegible]	
Income tax benefit from stock options exercised............	--	--	--	--	[illegible]	
Conversion of Class A stock to common stock.................	918,662	9,186	(918,662)	(9,186)	--	
Issuance of common stock in connection with business acquisitions..........	3,967,323	39,673	--	--	116,[illegible]	
Common stock issued upon conversion of notes payable.........	582,762	5,828	--	--	[illegible]	

Exercise of warrants...	35,003	350	--	--	[illegible]
Sale of common stock...	5,093,750	50,938	--	--	[illegible]
Issuance of common stock to employees by related party.........	--	--	--	--	[illegible]
Net loss for the year ended July 31, 1998...	--	--	--	--	--
	----------	--------	----------	--------	------------
Balance at July 31, 1998...................	22,848,866	228,489	10,255,669	102,557	[illegible]
Exercise of stock options...............	696,840	6,969	--	--	[illegible]
Income tax benefit from stock options exercised............	--	--	--	--	[illegible]
Conversion of Class A stock to common stock.................	225,910	2,259	(225,910)	(2,259)	--
Issuance of common stock in connection with business acquisitions..........	100,000	1,000	--	--	[illegible]
Exercise of warrants...	111,238	1,113	--	--	[illegible]
Costs associated with stock registration....	--	--	--	--	[illegible]
Net income for the year ended July 31, 1999...	--	--	--	--	--
	----------	--------	----------	--------	------------
Balance at July 31, 1999..................	23,982,854	$239,829	10,029,759	$100,298	[illegible]
	==========	========	==========	========	============

</TABLE>

See accompanying notes.

<PAGE>

IDT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended July 31		
	1997	1998	1999
		Restated	Restated
<S>	<C>	<C>	<C>
Operating activities			
Net loss..............................	$(3,836,770)	$ (962,320)	[illegible]
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization........................	97,086	4,896,481	[illegible]
Depreciation........................	4,776,088	9,713,835	[illegible]
Extraordinary loss on retirement of debt before taxes.................	--	132,376	[illegible]
Amortization of deferred compensation......................	--	--	[illegible]
Acquired research and development costs by issuance of common stock............................	--	17,900,000	--

Minority interests.................	--	[illegible]	[illegible]
Deferred income taxes..............	--	[illegible]	[illegible]
Issuance of common stock to employees by related party.........	--	[illegible]	--
Changes in assets and liabilities:			
Accounts receivable...............	(9,273,827)	(20,909,084)	[illegible]
Other current assets..............	(937,660)	(9,138,112)	[illegible]
Other assets......................	(1,801,077)	(1,359,249)	[illegible]
Notes receivable..................	2,861,003	485,810	--
Trade accounts payable............	6,233,349	18,141,813	39,056,078
Accrued expenses..................	(4,225,977)	878,017	[illegible]
Deferred revenue..................	1,459,352	6,732,370	4,034,440
Interest payable..................	--	4,063,130	[illegible]
Other current liabilities.........	173,946	(378,628)	[illegible]
Other.............................	41,213	(262,276)	[illegible]
Net cash provided by (used in) operating activities...............	(4,433,306)	30,622,345	[illegible]
Investing activities			
Purchases of property, plant and equipment..........................	(7,112,362)	(41,332,835)	[illegible]
Purchase of trademark...............	--	--	[illegible]
Issuance of notes receivable.........	--	(23,585,520)	[illegible]
Investments and acquisitions.........	(2,133,157)	--	[illegible]
Collection of notes receivable.......	--	--	[illegible]
Payments for the purchase of InterExchange, Inc.................	--	[illegible]	--
Net purchases of marketable securities.........................	--	(60,388,768)	[illegible]
Net cash used in investing activities.........................	(9,246,119)	(145,028,129)	[illegible]
Financing activities			
Proceeds from issuance of Series A Preferred stock and warrants by Net2Phone.........................	--	--	[illegible]
Proceeds from exercise of stock options for Net2Phone...............	--	--	[illegible]
Proceeds from exercise of warrants for Net2Phone....................	--	--	[illegible]
Payment of debt issuance costs.......	--	--	[illegible]
Distribution to minority shareholder.........................	--	--	[illegible]
Proceeds from borrowings.............	6,750,000	110,660,294	[illegible]
Payment of financing costs...........	--	(3,361,070)	--
Proceeds from exercise of warrants..	--	530,628	[illegible]
Proceeds from exercise of stock options............................	2,212,025	5,297,171	[illegible]
Repayment of capital lease obligations.........................	(684,070)	(2,660,084)	[illegible]
Repayments of borrowings............	(1,817,973)	(5,499,462)	[illegible]
Proceeds from sale of common stock..	--	118,290,533	--
Net cash provided by financing activities.........................	6,459,982	222,839,990	[illegible]
Net increase (decrease) in cash.....	(7,219,443)	107,609,206	[illegible]
Cash and cash equivalents at beginning of period................	14,893,756	7,674,313	115,283,519
Cash and cash equivalents at end of period...........................	$ 7,674,313	$ 115,283,519	$ [illegible]

Supplemental disclosure of cash flow

information:			
Cash payments made for interest.....	$ 863,000	$ 1,036,000	$ 13,407,000
Cash payments made for income taxes..............................	$ --	$ --	$ 235,000
Supplemental schedule of non-cash activities:			
Accrued interest converted to equity..............................	$ --	$ 121,000	$ --
Purchase of fixed assets by capital lease..............................	$ 6,122,000	$ 12,449,000	$ 11,935,000
Notes payable converted to equity...	$ --	$ 8,334,000	$ --

</TABLE>

See accompanying notes.

<PAGE>

IDT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 1999

1. Summary of Significant Accounting Policies

Description of Business

IDT Corporation ("IDT" or the "Company") is a multinational telecommunications carrier that provides a broad range of services to its wholesale and retail customers world wide. The Company provides its customers with integrated international and domestic long distance, pre-paid calling cards, Internet access, and through Net2Phone, Inc. ("Net2Phone"), a majority-owned subsidiary, Internet telephony services. The Company also sells pre-paid calling cards to distributors.

Restatement

The Company has restated its financial statements for the years ended July 31, 1998 and 1999. The restatement resulted from adjusting i) the timing of a gain recognized on the sale of preferred stock by Net2Phone (Note 7), and ii) the determination and allocation of the purchase price relating to the Company's acquisition of InterExchange, Inc. (Note 11).

In the Company's previously filed 1999 annual report on Form 10-K, the gain on the sale of stock by Net2Phone was recognized in July 1999, the fourth quarter of fiscal 1999. In the accompanying restated financial statements the gain has been recognized in August 1999, the first quarter of fiscal 2000. In addition, in the Company's previously filed 1998 and 1999 annual reports on Form 10-K, the purchase price allocation and the fair value of the assets acquired and liabilities assumed from InterExchange at the date of acquisition were adjusted as indicated below:

<TABLE>
<CAPTION>

	Previously Reported	Restated	Increase/ (Decrease)
<S>	<C>	<C>	<C>
Number of shares issued..............	3,242,323	3,242,323	

Price per share (1)	$ 21.50	$ 33.50	
Total value of common stock issued	70,000,000	108,618,000	38,618,000
Cash paid	20,000,000	20,000,000	--
Professional fees	588,000	588,000	--
Total Purchase Price	$90,588,000	$129,206,000	$38,618,000

<CAPTION>

<S>	Previously Reported Fair Value <C>	Restated Fair Value <C>	Increase/ (Decrease) <C>
Current assets	$ 36,000	$ 36,000	$ --
Property and equipment	5,539,000	5,539,000	--
Current liabilities	(7,357,000)	(7,357,000)	--
Acquired research and development	25,000,000	17,900,000	(7,100,000)
Core technology	--	21,200,000	21,200,000
Assembled workforce	--	3,100,000	3,100,000
Goodwill	67,370,000	98,188,000	30,818,000
Deferred tax liability on identifiable intangible assets	--	(9,400,000)	(9,400,000)
Total Purchase Price	$90,588,000	$129,206,000	$38,618,000

</TABLE>

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(1) The increase to $33.50 per share is due to the elimination of a discount previously applied to the IDT common stock issued.

<PAGE>

IDT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The aggregate effect of the aforementioned adjustments on the Company's Fiscal 1998 and 1999 financial statements is as follows:

<TABLE>
<CAPTION>

	Fiscal 1998 Impact		
<S>	Previously Filed <C>	Restated <C>	Increase/(Decrease) <C>
Depreciation and amortization	$ 11,284,013	$ 13,810,488	$ 2,526,475
Acquired research and development	25,000,000	17,900,000	(7,100,000)
Income/(loss) from operations	(3,745,738)	827,797	4,573,535
Provision (benefit) for income taxes	(1,671,000)	(818,500)	852,500
Net loss	(6,390,357)	(2,669,322)	(3,721,035)
Basic and diluted net loss per share	(0.22)	(0.09)	(0.13)
Total assets	417,195,204	461,240,229	44,045,025
Stockholders' equity	238,748,072	282,792,087	44,044,015

<CAPTION>

<S>	Fiscal 1999 Impact		
	Previously Filed	Restated	Increase/(Decrease)
	<C>	<C>	<C>
Depreciation and amortization..............	$ 26,254,086	$ 36,359,994	$ 10,105,908
Income (loss) from operations................	2,380,371	(7,725,529)	(10,105,900)
Other income (expense).....	19,376,147	(2,305,150)	(21,681,297)
Provision (benefit) for income taxes..............	17,850,000	7,253,000	(10,597,000)
Net income (loss)..........	2,916,651	(18,203,548)	(21,120,199)
Basic and diluted net loss per share................	(0.70)	(1.39)	(0.69)
Total assets..............	515,336,254	559,871,379	44,535,125
Stockholders' equity.......	253,405,335	276,329,163	22,923,828

</TABLE>

Basis of Consolidation and Accounting for Investments

The consolidated financial statements include the accounts of IDT and all companies in which IDT has a controlling voting interest ("subsidiaries"), as if IDT and its subsidiaries were a single company. Significant intercompany accounts and transactions between the consolidated companies have been eliminated.

Investments in companies in which IDT has significant influence, but less than a controlling voting interest, are accounted for using the equity method. Investments in companies in which IDT does not have a controlling interest or an ownership and voting interest so large as to exert significant influence are accounted for at market value if the investments are publicly traded and there are no resale restrictions, or at cost, if the sale of a publicly-traded investment is restricted or if the investment is not publicly traded.

The effect of any changes in IDT's ownership interests resulting from the issuance of equity capital by consolidated subsidiaries or equity investees to unaffiliated parties is included in other income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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Revenue Recognition

Telecommunication, Internet telephony service, Internet subscription service and debit card revenues are recognized as service is provided. Equipment sales are recognized when installation is completed. Pre-payments for services are deferred and recognized as revenue as the services are provided.

Direct Cost of Revenue

Direct cost of revenue consists primarily of telecommunication costs, connectivity costs, and the cost of equipment sold to customers. Direct cost of revenue excludes depreciation and amortization.

Property, Plant and Equipment

Equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are depreciated using the straight-line method over the term of the lease or estimated useful life of the assets, whichever is shorter. Computer software is amortized using the straight-line method over the shorter of five years or the term of the related agreement. Buildings are depreciated using the straight-line method over the estimated useful life of the assets of 30 years.

Trademark

Costs associated with obtaining the right to use trademarks owned by third parties are capitalized and amortized on a straight-line basis over the term of the trademark license.

Subscriber Acquisition Costs and Advertising

Subscriber acqu'sition costs including sales commissions, license fees and production and shipment of starter packages are expensed as incurred.

The Company expenses the costs of advertising as incurred. Typically, Net2Phone purchases banner advertising on other companies' web sites pursuant to contracts which have one to three year terms and may include the guarantee of (i) a minimum number of impressions, (ii) the number of times that an advertisement appears in pages displayed to users of the web site, or (iii) a minimum amount of revenue that will be recognized by Net2Phone from customers directed to Net2Phone's web site as a direct result of the advertisement. Net2Phone recognizes expense with respect to such advertising ratably over the period in which the advertisement is displayed. In addition, some agreements require additional payments as additional impressions are delivered. Such payments are expensed when the impressions are delivered.

In one case, Net2Phone entered into an agreement with no specified term of years. In this case, the Company amortizes as expense the lesser of (i) the number of impressions to date/minimum guaranteed impressions, or (ii) revenue to date/-inimum guaranteed revenue as a percentage of the total payments.

For the years ended July 31, 1997, 1998 and 1999, advertising expense totaled approximately $4,011,000, $5,632,000, and $10,654,000, respectively.

Software Development Costs

Costs for the internal development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time

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any additional costs would be capitalized. To date, the Company has essentially completed its software development concurrently with the establishment of technological feasibility and, accordingly, it has expensed capitalizing these costs. Software development costs are the Company's only research and development expenditures. For the years ended July 31, 1997, 1998 and 1999, research and development costs totaled approximately $[illegible], $481,000 and $757,000, respectively.

Capitalized Internal Use Software Costs

The Company capitalizes certain costs incurred in connection with developing or obtaining internal use software. These costs consist of payments made to third parties and the salaries of employees working on such software development. At July 31, 1998 and 1999, the Company has capitalized $[illegible] and $4,065,000, respectively, of internal use software costs as computer software.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are carried at cost which approximates market value. At July 31, 1999, the Company has 79% of its cash and cash equivalents in three financial institutions.

Marketable Securities

Marketable securities consist of debt securities which are considered to be held to maturity, and are carried at amortized cost which approximates fair value.

Goodwill and Other Intangible Assets

Goodwill is being amortized over 20 years using the straight-line method. Accumulated amortization at July 31, 1998 and 1999 was approximately $[illegible] million and $6.3 million respectively. Other intangible assets consists of core programming technology and assembled workforce acquired in connection with the Company's acquisition of InterExchange, Inc. (Note 11). The unamortized balance of core programming technology, which is being amortized over 32 months, was approximately $[illegible] million and $[illegible] million at July 31, 1998 and 1999, respectively. The unamortized balance of assembled workforce, which is being amortized over four years, was approximately $[illegible] million and $1.6 million at July 31, 1998 and 1999, respectively. The Company systematically reviews the recoverability of its acquired intangible assets for each acquired entity to determine whether an impairment may exist. Upon a determination that the carrying value of acquired intangible assets will not be recovered from the undiscounted future cash flows of the acquired business, the carrying value of such acquired intangible assets would be considered impaired and will be reduced by a charge to operations in the amount of the impairment.

Income Taxes

The Company accounts for income taxes on the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common shares by the weighted average of common shares outstanding during the period. Diluted earnings (loss) per share adjusts basic earnings (loss) per share for the effects of convertible securities, stock options, warrants and other potentially dilutive financial instruments, only in the periods in which such effect is dilutive.

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Current Vulnerability Due to Certain Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, marketable securities, trade receivables and notes receivable. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base. At July 31, 1999, the Company has 90% of its notes receivable with one company, and 11% of its accounts receivable balance with one company.

International customers account for a significant amount of the Company's total revenues. Therefore, the Company is subject to risks associated with international operations, including changes in exchange rates, difficulty in accounts receivable collection and longer payment cycles.

Management regularly monitors the creditworthiness of its domestic and international customers and believes that it has adequately provided for any exposure to potential credit losses.

Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Consequently, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Notes receivable: For notes receivable which are short-term or have variable interest rates, fair values are based on carrying values. The fair values of notes receivable with fixed interest rates with long-term maturities are estimated using discounted cash flow analysis, using interest rates currently being offered for notes with similar terms to borrowers of similar credit quality. The fair value of notes receivable at July 31, 1998 and 1999 approximates [illegible] and [illegible], respectively.

Notes payable: For notes payable which are short-term or have variable interest rates, fair values are based on carrying values. The fair values of notes payable with fixed interest rates with long-term maturities are estimated using discounted cash flow analysis using interest rates that are currently being offered on similar instruments. The fair value of notes payable at July 31, 1998 approximates [illegible]. The fair value of the notes payable at July 31, 1999 approximate their carrying value, due to their variable rate of interest.

Segment Disclosures

The Company uses the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance.

Stock Based Compensation

The Company accounts for stock options issued to employees using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"). Compensation expense for stock options issued to employees is measured as the excess of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

The Company applies the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, with respect to stock options issued to the Company's employees.

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In March 1999, the Financial Accounting Standards Board issued an exposure draft of an interpretation on APB 25 containing proposed rules designed to clarify its application. The proposed rules included in the exposure draft are expected to be formally issued prior to December 31, 1999 and become effective at the time they are issued. The proposed rules would generally be applicable to events that occur after December 15, 1998. Consequently, if the exposure draft is enacted in the form currently proposed, the new rules would apply to all stock options granted by the Company in fiscal 1999.

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). This statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. This statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows derivative's gains and losses to offset related results on the hedge item in the income statement, and requires a company to formally document, designate and assess the effectiveness of transactions that receive hedge accounting. This statement is effective for fiscal years beginning after June 15, 2000 and cannot be applied retroactively. The Company believes that the adoption of this standard will not have a material effect on the Company's consolidated results of operation or financial position due to their limited use of derivative instruments.

2. Notes Receivable

In May 1998, the Company entered into an agreement with a telecommunication company to provide it with a $25,000,000 revolving credit facility (the "Facility"). The Facility bore interest at a rate of 8% per annum. The unpaid principal and accrued interest on the Facility were payable in quarterly installments, as defined in the agreement, which payments commenced on February 1, 1999. As of July 31, 1998 and 1999, the outstanding balance on the Facility of approximately $12,600,000 and $19,000,000, respectively, are included in notes receivable. In October 1999, the Facility's remaining principal balance was repaid in full.

3. Property, Plant and Equipment

Property, plant and equipment consists of the following:

<TABLE>
<CAPTION>

<S>	July 31 1998	1999
Equipment	$77,612,461	$100,143,[illegible]
Computer software	16,027,135	[illegible]
Leasehold improvements	1,932,769	[illegible]
Furniture and fixtures	1,903,048	2,[illegible]
Land and building	--	6,[illegible]
	97,475,613	131,[illegible]
Less accumulated depreciation and amortization	(16,143,177)	([illegible])
Property, plant and equipment, net	$75,332,676	$114,[illegible]

</TABLE>

Fixed assets under capital leases aggregate approximately $18,870,000 and $30,469,000 at July 31, 1998 and 1999, respectively. The accumulated amortization related to these assets under capital leases is approximately $2,885,000 and $8,266,000 at July 31, 1998 and 1999, respectively.

<PAGE>

4. Notes Payable

Notes payable consists of the following:

<TABLE>
<CAPTION>

<S>	July 31 1998	1999
Senior Notes (A)	$100,000,000	$ 380,000
Senior Credit facilities (B)	--	100,[illegible]
Promissory note (C)	--	7,[illegible]
Other	3,700,000	1,[illegible]
	103,700,000	117,[illegible]
Less notes payable--current portion	(1,866,000)	(4,[illegible])
Notes payable--long-term portion	$101,834,000	$112,[illegible]

</TABLE>

(A) On February 18, 1998, the Company completed an offering of $100,000,000 in Senior Notes (the "Notes"). Such Notes bear interest, which is payable semiannually on February 15 and August 15, at 8.75% per annum, mature on February 15, 2006 and are general unsecured obligations of the Company. On May 10, 1999, the Company repaid $99,620,000 of the principal balance together with accrued interest at a redemption price equal to 108% of the repaid principal balance. The Company recorded a pre-tax extraordinary loss in connection with the repayment of $9,190,787 during the year ended

July 31, 1999.

(B) On May 10, 1999, the Company obtained a Senior Secured Credit Facility ("Credit Facility") from a consortium of financial institutions. The Credit Facility, as amended, consists of a $25,000,000 revolving line of credit, maturing on May 9, 2003, a $60,000,000 multi-draw term loan, payable in equal quarterly principal payments commencing February 2000, and ending May 9, 2003, and a $75,000,000 single-draw term loan, requiring payments of 1% of the principal balance for the first four years, and the remaining principal balance in four equal quarterly payments thereafter. The Credit Facility bears interest at base rates, as defined, plus [illegible] to 3.50%. The Credit Facility is collateralized by 100% of the capital stock of IDT's domestic subsidiaries, and other assets. At July 31, 1999, $25,000,000 of the revolving line of credit, and $16,834,000 of the $60,000,000 multi-draw term loan remain unused.

(C) On May 6, 1999, the Company entered into a $7,000,000 promissory note with a financing company. The note is payable in 36 monthly installments commencing on June 1, 1999, and bears an adjustable interest rate indexed to the one month LIBOR rate. The promissory note is collateralized by certain equipment of the Company.

On September 5, 1997, the Company completed a private placement of $7,500,000 in convertible debentures. Such convertible debentures bore interest at 3% per annum which was payable upon their maturity on September 5, 2000. In April 1998, the holders of $6,500,000 in principal amount of the convertible debentures elected to convert all outstanding principal and unpaid accrued interest thereon into 436,781 shares of the Company's common stock. The remaining $1,000,000 in convertible debentures and all unpaid accrued interest thereon were repaid in June 1998.

Annual future principal repayments of long-term debt for the five years subsequent to July 31, 1999 consist of $4,753,000 due in fiscal 2000, $13,612,000 due in fiscal 2001, $16,287,000 due in fiscal 2002, [illegible] due in fiscal 2003, $54,188,000 due in fiscal 2004 and [illegible] due thereafter.

5. Related Party Transactions

In connection with the incorporation of Net2Phone in October 1997, Net2Phone and the Company entered into a separation agreement in May 1999 whereby the transactions and agreements necessary to govern the relationship between the two companies to effect their separation were determined.

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During the periods prior to the signing of the aforementioned agreements, service costs were generally allocated based upon a percentage of total revenue earned or payroll expense incurred by Net2Phone. Such allocated costs approximate the amounts that would have been charged under the intercompany agreements if they had been in effect during such periods.

6. Income Taxes

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

<TABLE>

<CAPTION>

	July 31	
	1999	1998
<S>	<C>	<C>
Deferred tax assets:		
Bad debt reserve	$ 2,577,000	$ [illegible]
Exercise of stock options	8,790,000	[illegible]
Other	1,263,000	[illegible]
Deferred tax assets	12,630,000	[illegible]
Deferred tax liabilities:		
Depreciation	1,980,000	[illegible]
Identifiable intangibles	8,447,500	[illegible]
Deferred tax liabilities	10,427,500	[illegible]
Net deferred tax assets	$ 2,202,500	$ [illegible]

</TABLE>

No valuation allowance on the net deferred tax assets has been established as the realization of such net deferred tax assets is considered to be more likely than not.

At July 31, 1999, based upon tax returns filed and to be filed, the Company had net operating loss carryforwards for federal income tax purposes of approximately $20 million attributable to the exercise of stock options expiring in the years 2018 through 2019. These net operating loss carryforwards may be limited in their use in the event of significant changes in the Company's ownership.

The provision (benefit) for income taxes consists of the following for the years ended July 31:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Current:			
Federal	$--	$ --	$ 400,000
State and local	--	200,000	[illegible]
	--	200,000	[illegible]
Deferred:			
Federal	--	(2,207,000)	[illegible]
State and local	--	(605,500)	[illegible]
	--	(2,812,500)	[illegible]
	$--	$(2,612,500)	$[illegible]

</TABLE>

<PAGE>

IDT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The income statement classification of the provision (benefit) for income taxes consists of the following at July 31:

<TABLE>
<CAPTION>

<S>	1997 <C>	1998 <C>	1999 <C>
Income tax provision (benefit) attributable to continuing operations..................	$--	$(2,521,500)	$ 7,253,000
Income tax benefit attributable to extraordinary loss........................	--	(91,000)	(2,090,000)
	$--	$(2,612,500)	$ 5,163,000

</TABLE>

The differences between income taxes expected at the U.S. federal statutory income tax rate and income taxes provides are as follows:

<TABLE>
<CAPTION>

<S>	1997 <C>	1998 <C>	1999 <C>
Federal income tax at statutory rate................................	$(1,343,000)	$ 281,000	$(3,642,000)
Purchased research and development.........................	--	6,240,000	--
Change in valuation allowance......	1,534,000	(9,294,000)	--
Losses for which no benefit provided...........................	--	--	6,110,000
Non-deductible expenses............	--	--	2,226,000
State and local income tax.........	(227,000)	369,500	447,000
Other, net..........................	36,000	(209,000)	22,000
	$ --	$(2,612,500)	$ 5,163,000

</TABLE>

7. Stockholders' Equity

Common Stock and Class A Stock

The rights of holders of common stock and holders of Class A stock are identical except for voting and conversion rights and restrictions on transferability. The holders of Class A stock are entitled to three votes per share and the holders of common stock are entitled to one vote per share. Class A stock is subject to certain limitations on transferability that do not apply to the common stock. Each share of Class A stock may be converted into one share of common stock, at any time at the option of the holder.

Warrants

In July 1997, the Company issued warrants to purchase 35,984 shares of its common stock at $8.34 per share and 63,098 shares of its common stock at [illegible] per share to a leasing company in connection with a capital lease. During the years ended July 31, 1998 and 1999, all of such warrants were exercised.

In September 1997, the Company issued warrants to purchase 75,000 shares of the Company's common stock at $15.16 per share to placement agents in connection with a private placement of $7,500,000 in convertible debentures.

The holders of these warrants exercised warrants to purchase 33,003 and 12,834 shares, respectively, of the Company's common stock in Fiscal 1998 and 1999.

Stock Options

Prior to March 15, 1996, the Company had an informal stock option program whereby employees were granted options to purchase shares of common stock. Under such program, options to purchase 2,158,770 shares of Common stock were granted.

<PAGE>

On March 15, 1996, the Company adopted a stock option plan (the "Option Plan") for officers, employees and non-employee directors to purchase up to 2,300,000 shares of the Company's common stock. In 1998, the number of shares of common stock reserved for issuance under the Option Plan was increased to 3,300,000. Generally, options become exercisable over vesting periods up to six years and expire ten years from the date of grant.

On February 15, 1997, the Company canceled 1,272,250 outstanding options with an exercise price of $10.00 and granted new options with an exercise price at the market value on that date of $7.75. On April 16, 1997, the Company canceled 603,500 outstanding options with an exercise price of $7.75 and granted new options with an exercise price at the market value on that date of $4.375.

A summary of stock option activity under the Company's stock option plan is as follows:

<TABLE>
<CAPTION>

	Shares	Weighted Average Exercise Price
<S>	<C>	<C>
Outstanding at July 31, 1996	3,503,520	$ 9.15
Granted	3,807,344	6.50
Exercised	(963,100)	2.00
Canceled	(1,879,750)	9.28
Forfeited	(67,100)	4.67
Outstanding at July 31, 1997	4,399,026	3.89
Granted	1,270,300	14.08
Exercised	(1,615,366)	2.28
Forfeited	(839,325)	5.09
Outstanding at July 31, 1998	3,214,635	7.30
Granted	1,136,241	19.22
Exercised	(696,840)	5.66
Canceled	(58,000)	14.82
Forfeited	(8,070)	9.27
Outstanding at July 31, 1999	3,587,966	$ 13.58

</TABLE>

The following table summarizes the status of stock options outstanding and exercisable at July 31, 1999:

<TABLE>
<CAPTION>

Range of Exercise Prices	Stock Options Outstanding: Number of Options	Stock Options Outstanding: Weighted-Remaining Contractual Life	Stock Options Outstanding: Number of Stock Options Exercisable
<S>	<C>	<C>	<C>
$ 0.21 - $ 0.21	376,330	9.0	376,330
$ 0.41 - $ 0.41	8,816	5.7	8,816
$ 0.83 - $ 0.83	40,500	5.0	40,500
$ 1.65 - $ 1.65	15,000	5.7	15,000
$ 4.38 - $ 6.50	560,700	7.3	[illegible]
$ 6.88 - $10.00	1,034,930	7.6	662,400
$11.25 - $15.44	939,750	9.4	157,625
$17.00 - $24.25	429,750	8.6	194,613
$26.25 - $34.00	174,000	8.6	[illegible]
	3,587,966		2,160,425

</TABLE>

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IDT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The weighted average fair value of options granted was $3.21, $4.46, and $9.26 for the years ended July 31, 1997, 1998, and 1999, respectively.

Pro forma information regarding net loss and loss per share is required by SFAS 123, and has been determined as if the Company had accounted for employees' stock options under the fair value method provided by that statement. The fair value of the stock options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions for vested and non-vested options.

<TABLE>
<CAPTION>

	July 31: 1997	July 31: 1998	July 31: 1999
<S>	<C>	<C>	<C>
Assumptions			
Average risk-free interest rate	6.11%	[illegible]	[illegible]
Dividend yield	--	--	--
Volatility factor of the expected market price of the Company's common stock	[illegible]	[illegible]	[illegible]
Average life	6 years	5 years	5 years

</TABLE>

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options under SFAS 123 is amortized to expense over the options' vesting period. For the years ended July 31, 1997, 1998 and 1999, pro forma net loss and pro forma net loss per share under SFAS 123 amounted to approximately $(10,054,000), $(11,082,000) and $(53,295,000) respectively, and $(0.48) $(0.39), and $(1.59), respectively.

Net2Phone Stock Options

In the fourth quarter of fiscal 1999, Net2Phone granted options to purchase 8,811,500 shares of its common stock at exercise prices ranging from $0.[illegible] to $15.00 per share to its employees and employees of IDT. In connection with the exercise of such options, Net2Phone extended $3,1[illegible],900 of recourse loans to its employees. In order to obtain the loans, optionees agreed to the cancellation of 23,382 outstanding options.

Deferred compensation resulting from Net2Phone's issuance of stock options of approximately $44.1 million is being charged to expense over the vesting period of the stock options as follows: fiscal 1999, $16.0 million; fiscal 2000, $10.4 million; fiscal 2001, $10.4 million; and fiscal 2002, $7.3 million.

Net2Phone Series A Stock

On May 13, 1999, Net2Phone designated 3,1[illegible],000 shares of its preferred stock as Series A ("Series A Stock") and sold 3,140,000 of such shares to unrelated third parties in a private placement transaction for aggregate gross proceeds of $31,400,000.

<PAGE>

Public Offerings

On February 3, 1998, the Company completed a public offering of 4,[illegible],750 shares of its common stock for $24.875 a share. The Company realized net proceeds of approximately $118.3 million from this offering.

On August 3, 1999, Net2Phone completed an initial public offering of 6,210,000 shares of its Common Stock (the "Initial Public Offering") at a price of $15.00 per share, resulting in net proceeds of approximately $[illegible] million. Upon completion of the Initial Public Offering, 3,140,000 shares of Net2Phone Series A Stock were converted into 9,420,000 shares of Net2Phone Class A Stock. As a result of the Initial Public Offering and concurrent conversion of Series A Stock to Class A Stock, IDT's ownership percentage in Net2Phone decreased from 90% to approximately [illegible]%. This resulted in the Company recording a gain on the sale of stock by a subsidiary of approximately $65.6 million in the first quarter of fiscal 2000. Deferred taxes of approximately $26.2 million have been provided on the gain.

The Series A Stock contained beneficial conversion features. The total value of the beneficial conversion feature approximated $75 million. For accounting purposes the value of the beneficial conversion feature was limited to the amount of proceeds allocated to the Series A Stock. The Company recorded an increase in net loss available to common stockholders on the date of issuance of the Series A Stock in the amount of approximately $26.3 million representing their allocable share of the amount attributable to the beneficial conversion feature.

8. Commitments and Contingencies

Legal Proceedings

In December 1995, Surfers Unlimited, L.L.C. filed a breach of contract action in the New Jersey Superior Court, Bergen County. The suit names a subsidiary of the Company as defendant and seeks restitutional and consequential damages in an unspecified amount for interference with prospective business advantages, breach of contract and improper use of confidential and proprietary information. Howard S. Jonas, the Chairman and Chief Executive Officer of the Company, has also been named as a defendant in the action. The Company's subsidiary has filed a counterclaim based on interference with prospective business advantages, breach of contract and improper use of confidential and proprietary information. In September 1998, the Company's subsidiary, Howard S. Jonas and Surfers Unlimited L.L.C. entered into a confidential settlement agreement.

In January 1997, six former employees alleging employment discrimination commenced a suit in New Jersey Superior Court, Bergen County. Howard S. Jonas has also been named as a defendant in the action. The action claims that the Company has made hiring and promotion decisions based upon the religious backgrounds of the relevant individuals, in violation of federal and state law. The complaint seeks compensatory and punitive damages in an unspecified amount and also seeks statutory multiples of damages. All of the claims arising under federal law were dismissed by the Court in New Jersey Superior Court, Bergen County, leaving the plaintiffs with only the remedies available under state law. Further, the Court granted the Company permission to file counterclaims against all plaintiffs for the alleged unlawful taking of business records. The Company filed such counterclaims in October 1998. Discovery is continuing and a settlement conference has been scheduled for November 10, 1999.

In August 1998, a subsidiary of the Company, InterExchange, Inc. ("IX"), filed a complaint in the New Jersey Superior Court, Middlesex County, against PT-1 Communications, Inc. ("PT-1"). The action has been removed to the U.S. District Court for the District of New Jersey. The action arises from a contract in which IX and PT-1 agreed that PT-1 would route its traffic from prepaid calling cards through IX's debit card platform. In the action, IX claimed that PT-1 breached its contract with IX by failing to make required payments under the contract, and claimed compensatory damages in the amount of $8.5 million. In February 1999, PT-1 filed an answer and counterclaim and third party complaint against IX, the Company, and certain of their officers, including Howard S. Jonas. PT-1 alleges that IX is not entitled to these payments in that IX had breached the agreement, and that, following IX's 1998 merger agreement with the Company, in which IX became a wholly-

<PAGE>

owned subsidiary of the Company, IX violated its covenant in the agreement that it would not compete with PT-1. PT-1 also alleges, among other things, that the Company and Mr. Jonas tortiously interfered with the contract between IX and PT-1, and that they conspired with IX and its personnel to obtain confidential information relating to PT-1. PT-1 seeks compensatory damages and punitive damages. In May 1999, the Company and Howard S. Jonas filed an answer to PT-1's third party complaint and IX filed a motion for leave to amend their complaint to add Star Telecommunications and Samer Tawfik as additional defendants and to include the additional claims of tortious interference and fraud in the inducement. The Company and individual plaintiffs David Turock, Eric Hecht, Bradley Turock and Richard Robbins have sought leave to amend their counterclaims to include Star Telecommunications as an additional defendant for failure to permit plaintiff to execute certain stock warrants to purchase PT-1 stock. The Court has issued an order which provides that PT-1 may not allege a specific amount of damages although the order does not exempt PT-1 from claiming damages in general. Discovery is continuing and a trial date has not been scheduled.

The Company is subject to other legal proceedings and claims which have arisen in the ordinary course of its business and have not been finally adjudicated. In the opinion of management, settlement of these and the aforementioned actions when ultimately concluded will not have a material adverse effect on results of operations, cash flows or the financial condition of the Company.

Lease Obligations

The future minimum payments for all capital and operating leases as of July 31, 1999 are approximately as follows:

<TABLE>
<CAPTION>

Year ending July 31:	Operating Leases	Capital Leases
<S>	<C>	<C>
2000	$ [illegible]	$ [illegible]
2001	[illegible]	[illegible]
2002	[illegible]	[illegible]
2003	[illegible]	[illegible]
2004	[illegible]	[illegible]
Thereafter	[illegible]	
Total payments	[illegible]	[illegible]
Less amount representing interest		[illegible]
Less current portion		[illegible]
Capital lease obligations--long-term portion		[illegible]

</TABLE>

Rental expense under operating leases was approximately [illegible], [illegible] and $2,821,000 for the years ended July 31, 1997, 1998 and 1999, respectively.

Commitments

The Company has an agreement with a supplier of telecommunications services ("Vendor") which began in August 1994 and continues monthly unless terminated by one of the parties. Under such agreement, the Vendor bills and collects, on behalf of the Company, for long distance telephone services provided to the Company's customers. The Company is responsible for all uncollected receivables. For the years ended July 31, 1997, 1998 and 1999, the Company purchased approximately $5,271,000, $5,997,000 and $10,214,000 respectively, of such services from the Vendor.

The Company has entered into agreements with certain carriers to buy and sell communications services. At July 31, 1999, the Company's minimum purchase commitments related to such agreements consist of

$27,154,000 in Fiscal 2000, $14,888,000 in Fiscal 2001, $3,712,000 in Fiscal 2002, $2,485,000 in Fiscal 2003, and $1,440,000 in Fiscal 2004.

In September 1998, the Company entered into a 20 year agreement with a carrier to provide the Company with nationwide bandwidth capacity and maintenance services in exchange for total payments estimated at $32.0 million.

On January 31, 1999, the Company entered into a series of agreements with a third party. The agreements call for the bundling of the Company's Internet telephony products with the third party's Internet browser, the purchase of software from the third party and the use of the third party's trademark. The agreements require the Company to pay the third party (i) $5,000,000 for the use of the trademark, (ii) $8,000,000 for the purchase of software and (iii) commissions on revenues generated from customers that the Company obtains from the bundling of products. Through July 31, 1999, the Company had paid $1,500,000 and accrued $3,500,000 for the right to use the trademark and $8,000,000 for certain software. The Company has capitalized the costs of the right to use the trademark and the software costs and will amortize them over the term of the bundling agreement, which expires two years after the release of the bundled product.

On February 8, 1998, the Company entered into an agreement with an Internet company to develop a link between its Internet site and that of the Company and advertise Company products on such site. The agreement is effective for fifteen months upon the completion of the link and automatically extends for an additional one year unless terminated by either party. Pursuant to such agreement, the Company has made payments of $3.2 million through July 31, 1999 for the design, development, installation and implementation of the link as well as the placement of Company advertisements on the Internet company's site, of which $750,000 attributable to the establishment of such link was deferred and is being amortized over the term of the agreement and $2.4 million attributable to monthly payments for advertising and the maintenance of the link was expensed monthly as incurred. As of July 31, 1999, the Company was required to make an additional payment of $150,000 in Fiscal 1999 and pay certain future commissions, as defined, based upon revenue earned and usage of the link.

On February 19, 1999, the Company entered into an agreement under which an international computer company is to provide connections to its global network. These connections will allow worldwide transport of the Company's IP traffic. The agreement is effective for 63 months upon availability of the connections. Pursuant to such agreement, the Company has made payments of $2 million through July 31, 1999 which have been reflected on the balance sheets as other current assets. As of July 31, 1999, the Company is required to make an additional payment of $1 million when the connections are available and pay fees for additional connections and usage. The $2 million of prepayments will be amortized over the term of the agreement beginning at the time the connections are available for use.

The Company entered into an agreement with Snap, an Internet portal service of NBC and CNET, on May 17, 1999. Snap will display links to the Company's Web site and services on its Snap.com Web site. In addition, the Company is Snap's preferred provider of PC-to-phone services during the two-year term of this agreement. Snap also will deliver a preset minimum number of impressions on its site and agreed to give the Company the right to advertise on its Snap.com Web site, subject to certain conditions. In exchange, the Company agreed to pay Snap a one-time fee, a percentage of revenue generated through their site and bonus payments for customers delivered by Snap of [illegible] after meeting certain quotas. The Company will amortize the up front payment over the term of the agreement

The Company signed an agreement with NBC on June 25, 1999 to purchase [illegible] million in television advertising on the NBC television network. The Company also has the right to purchase additional spots to be telecast prior to June 30, 2000. The cost of the advertising will be expensed as the spots are shown.

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On July 15, 1999, the Company entered into a four-year distribution and marketing agreement with ICQ, a subsidiary of America Online. Under this agreement, ICQ has agreed to co-brand and promote the Company's Internet telephony services in the U.S. and in 19 other countries, embed customized versions of the Company's software to allow ICQ customers to make PC-to-phone and PC-to-PC calls and to receive phone-to-PC calls, share revenue from advertisements and sponsorships sold by ICQ on the Company's software that is embedded in ICQ's Instant Messenger software, and promote the Company's services on some of ICQ's Web sites. The Company agreed to pay ICQ a fee of $7.5 million, $4.0 million of which was paid at signing and the remainder of which was paid in September 1999. The Company also agreed to pay ICQ a share of minutes-based revenue generated through ICQ and to award ICQ a performance bonus on the basis of the total revenue derived under the agreement, and to promote ICQ on the Company's Web sites.

In connection with the Company's distribution and marketing agreement with ICQ, the Company issued a warrant to America Online to purchase up to 3% of Net2Phone's outstanding capital stock on a fully-diluted basis. This warrant will vest in 1% increments upon the achievement of each of three incremental thresholds of revenue generated under the agreement during the first four years that the warrant is outstanding. The per share exercise price under the warrant will be equal to the lesser of 80% of the price per share in Net2Phone's initial public offering, or $450 million divided by the number of the Company's fully-diluted shares on the initial exercise date. The warrant may be exercised for a period of five years from the date of issuance.

The warrants are accounted for in accordance with the provisions of EITF 96-18, "Accounting for Equity Investments that are Issued to Other than Employees for Acquiring or in Conjunction with Selling Goods or Services." Due to the uncertainty of reaching performance measures stipulated in the warrant agreement, the Company has not recorded any expense relating to the issuance of the warrant. Upon determination that the achievement of the revenue thresholds is probable, the Company will value the warrant and expense it over the remaining period until the performance criteria is met. The three revenue thresholds are $10 million, $50 million and $75 million and the term of the distribution and marketing agreement is four years. If the three incremental thresholds had been met on July 31, 1999, the Company would have expensed approximately $20 million.

Distribution Agreements

The Company has entered into distribution agreements under which it has agreed to pay its agents commissions for obtaining new Internet, debit card, Internet telephony and discount telecommunications customers. The agreements require commissions upon activation of the customers.

9. Business Segment Information

Based principally on products and services provided, the Company has identified four reportable business segments: Wholesale Telecommunications Services, Retail Telecommunications Services, Internet Services and Internet Telephony. The operating results of these business segments are distinguishable, are regularly reviewed by Company management and are integral to their decision making process.

The Wholesale Telecommunications Services business segment is comprised of wholesale carrier services sold to other U.S. and international carriers. The Retail Telecommunications Services business segment includes prepaid calling cards, international retail services and domestic long distance services. The Internet Services business segment includes dial-up access services, direct connect dedicated service, Genie online services and Net2Zine.com. The Internet Telephony business segment reflects the results of the Company's majority-owned subsidiary, Net2Phone, prior to the elimination of minority interests.

The Company evaluates the performance of its business segments based primarily on operating income after depreciation and amortization but prior to interest expense and income taxes; all corporate overhead is allocated

<PAGE>

to the business segments based on time and usage studies. Operating results and other financial data presented for the principal business segments of the Company for the years ended July 31, 1997, 1998 and 1999 are as follows ($ in thousands):

<TABLE>
<CAPTION>

	Wholesale Telecommunications Services	Retail Telecommunications Services	Internet Services	Internet Telephony
<S>	<C>	<C>	<C>	<C>
Year ended July 31, 1997				
Total segment revenue...	$ 65,389	$ 35,283	[illegible]	[illegible]
Less: revenues between segments..............	(735)	--	[illegible]	[illegible]
Total unaffiliated revenue................	64,654	35,283	[illegible]	[illegible]
Income (loss) from operations............	3,444	2,803	[illegible]	[illegible]
Depreciation and amortization...........	730	[illegible]	[illegible]	[illegible]
Total assets............	21,626	[illegible]	[illegible]	[illegible]
Year ended July 31, 1998				
Total segment revenue...	$170,240	$137,180	[illegible]	[illegible]
Less: revenues between segments..............	(3,535)	--	[illegible]	[illegible]
Total unaffiliated revenue................	166,705	137,180	[illegible]	[illegible]
Income (loss) from operations............	9,460	1,048	[illegible]	[illegible]
Depreciation and				

amortization...........	4,810	3,721	4,489	871
Total assets............	230,998	166,009	38,415	9,687
Year ended July 31, 1999				
Total segment revenue...	$301,413	$395,542	$17,859	$ 33,256
Less: revenues between segments...............	(12,383)	--	(923)	(2,178)
Total unaffiliated revenue................	289,030	395,542	16,936	30,078
Income (loss) from operations.............	12,596	11,283	(8,109)	(29,468)
Depreciation and amortization...........	14,120	15,379	4,090	2,265
Total assets............	294,941	179,087	23,057	62,886

</TABLE>

The income (loss) from operations for the Wholesale Telecommunications Services and Retail Telecommunications Services business segments for fiscal 1998 includes their pro-rata portion of a $17.9 million non-recurring expense for the write-off of in-process research and development in connection with the acquisition of InterExchange, Inc. which was allocated to acquired research and development.

Revenue from customers located outside of the United States represented approximately 25%, 11% and 13% of total revenue for the years ended July 31, 1997, 1998 and 1999, respectively, with no single foreign geographic area representing more than 10% of total revenues for any period presented. Revenues are attributed to countries based on the location of the customer. Long-lived assets held outside of the United States totaled approximately $9.9 million and $24.9 million as of July 31, 1998 and 1999, respectively. Long-lived assets held outside of the United States were insignificant as of July 31, 1997.

10. Additional Financial Information

Trade accounts payable includes approximately $33,724,000 and $57,336,000 due to Telecommunication carriers at July 31, 1998 and 1999, respectively.

<PAGE>

IDT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

11. Acquisitions

In November 1997, the Company completed the acquisition of 100% of the issued and outstanding common stock of Rock Enterprises, Inc. ("Rock"), a former consultant of the Company, for an aggregate purchase price of $5,312,500. The purchase price consists of 625,000 shares of the Company's common stock. The Company issued 312,500 of such shares on the closing date of the acquisition in November 1997. The remaining shares were issued in May 1998. The Company is accounting for such acquisition using the purchase method. Since Rock had no assets or liabilities, the entire purchase price has been allocated to goodwill. The operations of Rock have been included in the statement of operations since the date of the acquisition.

In May 1998, the Company completed the acquisition of 51% of the issued and outstanding stock of Union Telecard Alliance, Inc. ("Union"), a former debit card reseller of the Company for an aggregate purchase price of $[illegible]. The purchase price consisted of 100,000 shares of the Company's common stock. Pursuant to the acquisition agreement, the Company issued an additional

100,000 shares of the Company's common stock valued at $[illegible] in April 1999. Such issuance was the result of Union's net income exceeding $[illegible] million in the one year period following the completion of the acquisition. There is no other contingent consideration. The Company accounted for the acquisition using the purchase method and consolidates its 51% interest in Union. The operations of Union have been included in the statement of operations since the date of the acquisition. Union had no assets or liabilities. The Company acquired Union as it gave IDT the ability to immediately enter the rapidly growing market for prepaid calling cards geared to specific ethnic markets. The initial entry into this market allowed the Company to become a significant participant in the market and be dominant in certain segments. Therefore, the entire purchase price has been allocated to goodwill.

In May 1998, the Company completed the acquisition of Interexchange, Inc., a former debit card service platform provider of the Company, for an aggregate purchase price of $129,206,000. The purchase price consists of $[illegible] in cash, 3,242,323 shares of the Company's common stock and $[illegible] in professional fees incurred in connection with the acquisition. The common stock was valued based on a price per share of $[illegible], which is the average price of the Company's common stock a few days before and after the acquisition was announced. The Company is accounting for such acquisition using the purchase method.

The fair value of the assets acquired and liabilities assumed from Interexchange at the date of acquisition is summarized as follows:

<TABLE>

<S>	<C>
Current assets	$ [illegible]
Property and equipment	[illegible]
Current liabilities	[illegible]
Assembled workforce	[illegible]
Core technology	[illegible]
Acquired research and development	[illegible]
Goodwill	[illegible]
Deferred Tax Liability on identifiable intangible assets	[illegible]
	$[illegible]

</TABLE>

In connection with such acquisition, the Company immediately expensed the amount allocated to in-process research and development of $[illegible] million in accordance with generally accepted accounting principles, as technological feasibility had not been established and the technology had no alternative future use as of the date of the acquisition.

<PAGE>

The pro forma unaudited consolidated results of operations assuming consummation of the Interexchange acquisition as of the beginning of the respective periods are as follows:

<TABLE>
<CAPTION>

July 31

	1997	1998
<S>	<C>	<C>
Revenues..	$144,937,000	$341,[illegible]
Net loss before extraordinary item..............	(16,[illegible])	(11,[illegible])
Net loss..	(16,[illegible])	(11,[illegible])
Loss per share..................................	(0.[illegible])	(0.57)

</TABLE>

The pro forma unaudited consolidated results of operations in fiscal 1998 does not include a $17.9 million non-recurring expense for the write-off of in-process research and development in fiscal 1998.

13. Subsequent Events

Telefonica Agreement

In October 1999, IDT entered into a joint venture agreement with Terra Networks, S.A. (formerly known as Telefonica Interactiva, S.A.) pursuant to which the parties formed two limited liability companies to provide Internet services and products for customers in the United States, mainly targeting and focusing on the Hispanic population in the United States. One company was formed to provide Internet access to customers in the target market, and IDT contributed its dial-up Internet access customers, its managerial resources and facilities and its portfolio of current and future products for Internet access to the new company in exchange for a 49% ownership interest. The other company was formed to develop and manage an Internet portal that will provide content-based Internet services, electronic commerce offerings and other Internet services to customers in the target market. IDT will assist in developing relationships with content producers and content providers and will sell advertising on this new company's portal in exchange for a 10% ownership interest. Terra Networks has agreed to fund the first $30 million of expenses for the ISP joint venture, subject to the completion of certain performance criteria.

IDT's 49% interest in the Internet access company is accounted for using the equity method of accounting. The Company's 10% interest in the Internet portal company is accounted for at cost.

IDT/Westmintech Joint Venture

In September 1999, a subsidiary of the Company entered into an agreement to form a joint venture with Westmintech Company, L.L.C., to provide high speed voice and data services, including without limitation local and long distance telephone service (dedicated and 1+), cable television service (cable and/or fiber optic), on line service with direct Internet access and Internet access services and various other Internet services (DSL, dedicated and dial up) and various other Internet services and other technology to the tenants of commercial and residential properties worldwide. The Company will consolidate its 75% ownership interest in the joint venture.

<PAGE>

IDT CORPORATION

FINANCIAL STATEMENT SCHEDULE--VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (2)	Balance at End of Period

<S> <C> <C> <C> <C>

1997				
Reserves deducted from accounts receivable: Allowance for doubtful accounts..................	$2,100,000	$4,592,000	$(3,502,000)	[illegible]
1998				
Reserves deducted from accounts receivable: Allowance for doubtful accounts..................	$3,190,000	$6,190,000	$(3,125,000)	[illegible]
1999				
Reserves deducted from accounts receivable: Allowance for doubtful accounts..................	$6,255,000	$5,548,000	$(4,170,000)	[illegible]

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EXHIBIT 23.1

Consent of Independent Auditors

We consent to the incorporation by reference of our report dated October 1, 1999, except for Note 1 as to which the date is July 18, 2000, with respect to the consolidated financial statements of IDT Corporation included in this Annual Report (Form 10-K/A) for the year ended July 31, 1999, in each of the following:

- Registration Statement No. 333-61565 on Form S-3;
- Registration Statement No. 333-71991 on Form S-3;
- Registration Statement No. 333-73167 on Form S-8;
- Registration Statement No. 333-80133 on Form S-3; and
- Registration Statement No. 333-77395 on Form S-3.

ERNST & YOUNG LLP

New York, New York
August 11, 2000

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1999 FINANCIAL STATEMENTS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE
TO SUCH FINANCIAL STATEMENTS.
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EXHIBIT 5

Proposed Tariff

TITLE SHEET

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by IDT America, Corp. ("IDT America"), with principal offices at 520 Broad Street, Newark, New Jersey 07102. This tariff applies for services furnished within the State of South Dakota. This tariff is on file with the South Dakota Public Utilities Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

CHECK SHEET

The sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

SHEET	REVISION	SHEET	REVISION
1	Original	21	Original
2	Original	22	Original
3	Original	23	Original
4	Original	24	Original
5	Original	25	Original
6	Original	26	Original
7	Original	27	Original
8	Original	28	Original
9	Original	29	Original
10	Original	30	Original
11	Original	31	Original
12	Original	32	Original
13	Original	33	Original
14	Original	34	Original
15	Original	35	Original
16	Original	36	Original
17	Original		
18	Original		
19	Original		
20	Original		

* New or Revised Sheet.

TELECOMMUNICATIONS SERVICES TARIFF

TABLE OF CONTENTS

ISSUED BY: Diane Clark, Associate General Counsel
520 Broad Street
Newark, New Jersey 07102

TABLE OF CONTENTS (cont'd)

ISSUED BY: Diane Clark, Associate General Counsel
520 Broad Street
Newark, New Jersey 07102

TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be Page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets currently in effect.

C. Paragraph Numbering Sequence: There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i)(1)

D. Check Sheets: When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current Revision Number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current on Commission file.

SYMBOLS

The following are the only symbols used for the purposes indicated below:

(C) to signify change in regulation

(D) to signify a deletion

(I) to signify a rate increase

(L) to signify material relocated in the tariff

(N) to signify a new rate or regulation

(R) to signify a rate reduction

(T) to signify a change in text, but no change in rate or regulation

ISSUED BY: Diane Clark, Associate General Counsel
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Newark, New Jersey 07102

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to IDT America's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable IDT America to identify the origin of the Customer so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Casual Caller - Any person who uses IDT's service to make 1+ calls who does not have a current account with IDT, including the following:

1. Any person located in an equal access area who voluntarily terminated his IDT account, but does not contact his local exchange carrier to select a new carrier and continues to make calls over IDT's network. Such person will be classified as a casual caller and will be charged casual calling rates, not the rates previously agreed upon. Casual calling rates will be triggered upon customer notification to IDT of his intent to terminate the IDT account.

2. Any person who has had his account terminated in accordance with sections 2.2.6 or 2.5.1 of IDT's tariff, but who continues to make calls over the carrier's network. Specifically, any person who has had his account terminated in accordance with section 2.2.6 or 2.5.1 of IDT's tariff who fails to contact his local exchange carrier to establish new service, might have the ability to make calls over IDT's network. Such person, however, will be classified as a casual caller and will be charged the rates set forth in section 4.7, and will not be charged the rates previously agreed upon.

3. Any new or allocated customer who has not yet contacted IDT to select a calling plan;

4. Any person who has not established an account with IDT who places calls over the Carrier's network from an equal access area using an access code.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS (cont'd)

Commission - Used throughout this tariff to mean the South Dakota Public Utilities Commission.

Company or IDT America - Used throughout this tariff to mean IDT America, Corp., a New Jersey corporation.

Customer - The person, firm, corporation or other legal entity which orders the services of IDT America or purchases a Company Prepaid Calling Card and/or originates prepaid calls using such cards, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Prepaid Account - An inventory of Telecom Units purchased in advance by the Customer, and associated with one and only one Authorization Code as contained in a specific Prepaid Calling Card.

Prepaid Local Access Number Card and 800 Debit Card - A card issued by the Company, containing an Authorization Code which identifies a specific Prepaid Account of Telecom Units, which enables calls to be processed, account activity to be logged, and balances to be maintained, on a prepayment basis.

Telecom Unit - A measurement of telecommunications service equivalent to one minute of usage between any two points within the State of South Dakota.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the services, the transmission of data, facsimile, signaling, metering, or other similar communications.

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of Customer telecommunications traffic.

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by IDT America for telecommunications between points within the State of South Dakota. Resale services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company reserves the right to examine the credit record and check the references of all applicants and Customers. The Company may examine the credit profile/record of any applicant prior to accepting the service order. The service application shall not in themselves obligate the Company to provide services or to continue to provide service if a later check of applicant's credit record is, in the opinion of the Company, contrary to the best interest of the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement. The Company does not own any switching, transmission or other physical facilities in South Dakota.

SECTION 2 - RULES AND REGULATIONS (cont'd)

2.1 Undertaking of the Company (cont'd)

2.1.1 The services provided by IDT America are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.

2.1.2 The rates and regulations contained in this tariff apply only to the resale services furnished by IDT America and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of IDT America.

2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

SECTION 2 - RULES AND REGULATIONS (cont'd)

2.2 Use of Services

2.2.1 IDT America's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.

2.2.2 The use of IDT America's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of IDT America's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 IDT America's services are available for use twenty four hours per day, seven days per week.

2.2.5 IDT America does not transmit messages, but the services may be used for that purpose.

2.2.6 IDT America's services may be denied for nonpayment of charges or for other violations of this tariff.

2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.

2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.

2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

2.3.4 The Company's liability for damages, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects or misrepresentations shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company.

SECTION 2 - RULES AND REGULATIONS (cont'd)

2.3 Liability of the Company (cont'd)

2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.

2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including but not limited to, loss of revenue or profits, for any reason whatsoever including the breakdown of facilities associated with the service or for any mistakes, omissions, delays, errors or defects in transmission occurring during the course of furnishing service.

2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express, implied, or statutory, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders, including but not limited to PIC Freeze removal and carrier changes, and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by IDT America on the Customer's behalf.

2.4.3 If required for the provision of IDT America's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to IDT America.

2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to IDT America and the Customer when required for IDT America personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of IDT America's services.

2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of IDT America's equipment to be maintained within the range normally provided for the operation of microcomputers.

SECTION 2 - RULES AND REGULATIONS (cont'd)

2.4 Responsibilities of the Customer (cont'd)

2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with IDT America's facilities or services, that the signals emitted into IDT America's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, IDT America will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to IDT America equipment, personnel or the quality of service to other Customers, IDT America may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, IDT America may, upon written notice, terminate the Customer's service.

2.4.7 The Customer must pay IDT America for replacement or repair of damage to the equipment or facilities of IDT America caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.

2.4.8 The Customer must pay for the loss through theft of any IDT America equipment installed at Customer's premises.

2.4.9 If IDT America installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice of termination to the Customer, IDT America may immediately discontinue services to and terminate the account of a Customer or may withhold the provision of ordered or contracted services:

A For nonpayment of any sum due IDT America for more than thirty (30) days after issuance of the bill for the amount due,

B For violation of any of the provisions of this tariff,

C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over IDT America's services, or

D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting IDT America from furnishing its services.

2.5.2 Without incurring liability, IDT America may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and IDT America's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

SECTION 2 - RULES AND REGULATIONS (cont'd)

2.5 Cancellation or Interruption of Services (cont'd)

2.5.3 Service may be discontinued by IDT America without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when IDT America deems it necessary to take such action to prevent unlawful use of its service. IDT America will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.

2.5.4 The Customer may terminate service upon thirty (30) days written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

SECTION 2 - RULES AND REGULATIONS (cont'd)

2.6 Credit Allowance

2.6.1 Credit allowance for the interruption of service which is not due to the Company's testing or adjusting, negligence of the Customer, or to the failure of channels or equipment provided by the Customer, are subject to the general liability provisions set forth in 2.3 herein. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer within his control, or is not in wiring or equipment, if any, furnished by the Customer and connected to the Company's facilities.

2.6.2 No credit is allowed in the event that service must be interrupted in order to provide routine service quality or related investigations.

2.6.3 Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company or in the event that the Company is entitled to a credit for the failure of the facilities of the Company's Underlying Carrier used to furnish service.

2.6.4 Credit for interruption shall commence after the Customer notifies the Company of the interruption or when the Company becomes aware thereof, and ceases when service has been restored.

2.6 Credit Allowance (cont'd)

2.6.5 For purposes of credit computation, every month shall be considered to have 720 hours.

2.6.6 No credit shall be allowed for an interruption of a continuous duration of less than two hours.

2.6.7 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours
"B" - monthly charge for affected activity

ISSUED BY: Diane Clark, Associate General Counsel
520 Broad Street
Newark, New Jersey 07102

2.7 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.8 Deposit

The Company reserves the right to examine the credit record of all service applicants and may require a deposit when determined to be necessary to assure future payment.

2.9 Advance Payments

The Company reserves the right to collect an advance payment from Customers in an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges, and if necessary, a new advance payment will be collected for the next month.

2.10 Payment and Billing

2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt. Interest at the rate of 1.5% per billing cycle, or the amount otherwise authorized by law, whichever is lower, will accrue upon any unpaid amount commencing 30 days after rendition of bills.

2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, presubscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, presubscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Thereafter, charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within 30 days after such bills are rendered. All fraudulent 1+ usage must be reported to the Company no more than 30 days after the invoice date. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such 30 day period.

2.10.4 Casual callers are responsible for payment of all charges for services furnished.

SECTION 2 - RULES AND REGULATIONS (cont'd)

2.11 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated or nonregulated services, equipment or facilities, or to enforce any judgment obtained against a Customer, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by the court.

2.12 Taxes

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein, except as described for Prepaid Local Access Number Cards, 800 Debit Cards and Rechargeable Calling Cards.

2.13 Late Charge

A late fee of 1.5% monthly or the amount otherwise authorized by law, whichever is lower, will be charged on any past due balances.

2.14 Returned Check Charge

A fee of $20.00 will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

SECTION 2 - RULES AND REGULATIONS (cont'd)

2.15 Automatic Number Identification

A telephone corporation may provide Automatic Number Identification (ANI) associated with an intrastate service, by tariff, to any entity (ANI recipient), only under the following terms and conditions:

(1) The ANI recipient or its designated billing agent may use or transmit ANI information to third parties for billing and collection, routing, screening, ensuring network performance, and completion of a telephone subscriber's call or transaction, or for performing a service directly related to the telephone subscriber's original call or transaction.

(2) The ANI recipient may offer to any telephone subscriber with whom the ANI recipient has an established customer relationship, a product or service that is directly related to products or services previously purchased by the telephone subscriber from the ANI recipient.

(3) The ANI recipient or its designated billing agent is prohibited from utilizing ANI information to establish marketing lists or to conduct outgoing marketing lists or to conduct outgoing marketing calls, except as permitted by the preceding paragraph, unless the ANI recipient obtains the prior written consent of the telephone subscriber permitting the use of ANI information for such purposes. The foregoing provisions notwithstanding, no ANI recipient or its designated billing agent may utilize ANI information if prohibited elsewhere by law.

(4) The ANI recipient or its designated billing agent is prohibited from reselling, or otherwise disclosing ANI information to any other third party for any use other than those listed in Provision 1, unless the ANI recipient obtains the prior written consent of the subscriber permitting such resale or disclosure.

(5) Telephone Corporations must make reasonable efforts to adopt and apply procedures designed to provide reasonable safeguards against the aforementioned abuses of ANI.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Computation of Charges

3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be a fixed charge dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. All "1+ Dialing" and 8XX service calls are measured in thirty (30) second initial and six (6) second additional increments. All Prepaid Local Access Number Cards, 800 Debit Cards, Rechargeable Calling Cards, and Travel Cards calls are measured in one (1) minute increments. All calls are rounded up to the next whole increment.

3.1.2 Where mileage bands appear in a rate table, rates for all calls are based upon the airline distance between the originating and terminating points of the call, as determined by the vertical and horizontal coordinates associated with the exchange (the area code and three digit central office code) associated with the originated and terminating numbers. If the Customer obtains access to the Company's network by a dedicated access circuit, that circuit will be assigned an exchange for rating purposes based upon the Customer's main telephone number at the location where the dedicated access circuit terminates. The vertical and horizontal (V & H) coordinates for each exchange and the airline distance between them will be determined according to the V&H Coordinate table contained in AT&T's FCC Tariff No. 10 which is incorporated herein by reference.

3.1.3 Timing begins when the called station is answered and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Recognition of answer supervision is the responsibility of the Underlying Carrier. Timing for each call ends when either party hangs up. The Company will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

520 Broad Street
Newark, NJ 07102
(800) 691-8438

Any objection to billed charges should be reported promptly to IDT America. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

If notice of a dispute as to charges is not received in writing by the Company, within thirty (30) days after an invoice is rendered, such invoice shall be deemed to be correct and binding upon the Customer.

The Company will respond within seventy two (72) hours of receipt of an inquiry. If the Customer is dissatisfied with the Company's response to a complaint or inquiry, the Customer may file the Commission for resolution of the conflict. The South Dakota Public Utilities Commission can be reached at:

500 East Capitol
Pierre, SD 57501-5070
(605) 773-3201
(800) 332-1782

If a Customer accumulates more than Fifty Dollars ($50.00) of undisputed delinquent 800 Service charges, the IDT Resp. Org. reserves the right not to honor that Customer's request for a Resp. Org. change until such undisputed charges are paid in full.

SECTION 3 - DESCRIPTION OF SERVICE (cont'd)

3.3 Level of Service

A Customer can expect end to end network availability of not less than 99% at all times for all services.

3.4 Billing Entity Conditions

When billing functions on behalf of IDT America or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. IDT America's name and toll-free telephone number will appear on the Customer's bill.

SECTION 3 - DESCRIPTION OF SERVICE (cont'd)

3.5 Service Offerings

3.5.1 1+ Dialing
The customer utilizes "1+" dialing, or "101XXXX" dialing followed by "1+ ten digits" for interLATA calls, or dials "101XXXX" followed by "1+ 10 digits" for intraLATA calls.

3.5.2 Prepaid Local Access Number Cards and 800 Debit Cards

This service permits the use of Company's Prepaid Local Access Number Cards or 800 Debit Cards for placing intrastate long distance telephone calls. Customers may purchase Prepaid Local Access Number Cards at a variety of retail outlets or through other distribution channels. These prepaid cards are available in face values of $5.00, $10.00, and $20.00 and are non-refundable.

Prepaid Retail Calling Cards and 800 Debit Cards are accessed via a toll-free telephone number printed on the card. The cardholder is prompted by an automated voice response system to enter his/her Authorization Code and then to enter the terminating telephone number. The Company's processor tracks the call duration on a real time basis to determine the cost consumed. The total consumed cost for each call, which includes the applicable taxes, is deducted from the remaining balance on the Customer's Card.

All calls must be charged against a card that has a sufficient balance. These cards are not rechargeable, and all calls will be interrupted when the balance on the cards reaches zero. Prepaid Local Access Number Cards and 800 Debit Cards are billed in full-minute increments. A surcharge of $0.65 applies to all calls originating on a payphone. Cardholders may dial another telephone number while using the card by depressing the pound (#) button and entering in the new telephone number.

SECTION 3 - DESCRIPTION OF SERVICE (cont'd)

3.5 Service Offerings (cont'd)

3.5.2 Prepaid Local Access Number Cards and 800 Debit Cards (cont'd)

A credit allowance for Prepaid Local Access Number Cards or 800 Debit Cards is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. A customer may also be granted credit for reaching a wrong number. To receive proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, reached wrong number, etc.) and the approximate time that the call was placed.

When a call charged to a Prepaid Local Access Number Card or 800 Debit Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one minute. Credit allowances for calls pursuant to Prepaid Local Access Number Cards or 800 Debit Cards service do not apply for interruptions not reported promptly to the Company or interruptions that are due to failure of power, equipment or systems not provided by the Company.

Certain calls may not be completed using the Company's Prepaid Local Access Number Cards or 800 Debit Cards. These include operator services, busy line verification service, interruption service, calls requiring time and charges, air-to-ground calls, marine/satellite calls, and calls placed via dialing a 700 or 900 number. In the event of the Company's financial failure, the Customer will be able to get refund information by calling the Company's toll-free customer service number. Rates, terms, and conditions will be disclosed at the point of purchase by Customer.

SECTION 3 - DESCRIPTION OF SERVICE (cont'd)

3.5 Service Offerings (cont'd)

3.5.3 8XX Service (Toll free)

This service is a direct access, incoming only, usage sensitive WATS offering. This is a service whereby a Customer can be billed at reduced rates for calls to his premises. This service is subject to a $0.30 surcharge.

3.5.4 Rechargeable Calling Card

The Company's Rechargeable Calling Card is a telephone service that allows Customers to obtain a predetermined amount of access to the Company's telephone services. The card is a dollar based service, meaning that there is a fixed amount of dollars (e.g., $25, $100, or $250) available to the Customer who purchases a card.

A Customer may purchase a Rechargeable Calling Card with a credit card in which the Customer has the option of choosing to allow for the automatic recharge of the Rechargeable Calling Card. When automatic recharging is selected, the Rechargeable Calling Card will be recharged at a balance predesignated by the Customer. A Customer may also purchase Rechargeable Calling Cards which are not automatically recharged, and calls will be interrupted when the balance on such cards reaches zero.

Rechargeable Calling Card service is offered via domestic toll-free access numbers and is available to a cardholder from a touchtone phone. The cardholder dials a domestic toll-free number. The cardholder hears recorded messages that guide the cardholder through the platform. The platform validates the cardholder's PIN, determines whether sufficient time or value remains on the card and, if so, completes the call to the called telephone number dialed by the cardholder. The cardholder is verbally informed of the available balance of the Rechargeable Calling Card account.

3.5 Service Offerings (cont'd)

3.5.4 Rechargeable Calling Card (cont'd)

Calls are real-time rated during call progression. Rechargeable Calling Cards are billed in full-minute increments. Rechargeable Calling Cards are billed at the same rates twenty four (24) hours a day, 365 days a year. The total price of each call, including applicable taxes, is calculated based on the value of card purchased, as described in Section 4.4., and is deducted from the available account balance associated with each Rechargeable Calling Card. The cardholder receives a warning in accordance with the rate per call destination one minute before the balance reaches zero. Calls in progress will be terminated when there is an insufficient balance to continue the call.

Certain calls may not be completed using the Company's Rechargeable Calling Card service. These include operator services, busy line verification service, interruption service, calls requiring time and charges, air-to-ground calls, marine/satellite calls, and calls placed via dialing a 700 or 900 number. A payphone surcharge of $0.65 is applicable to all calls made from payphones.

A credit allowance for Rechargeable Calling Card service is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. A customer may also be granted credit for reaching a wrong number. To receive proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, reached wrong number, etc.) and the approximate time that the call was placed.

When a call charged to a Rechargeable Calling Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one minute. Credit allowances for calls pursuant to Rechargeable Calling Cards do not apply for interruptions not reported promptly to the Company or interruptions that are due to failure of power, equipment or systems not provided by the Company.

SECTION 3 - DESCRIPTION OF SERVICE (cont'd)

3.5 Service Offerings (cont'd)

3.5.5 Travel Cards

The Customer utilizes an 11 digit "800" access number established by IDT to access a terminal. Upon receiving a second dial tone, the Customer uses push button dialing to enter an identification code assigned by the Company, followed by the ten digit number of the called party. This service is subject to a $.30 surcharge.

3.5.6 Casual Calling

This service permits casual callers to make 1+ calls. Casual callers will not be charged the Company's 1+ Dialing rates set forth in section 4.1. Instead, casual callers will be charged separate charges labeled as "Casual Calling Rates" set forth in section 4.7 until such time as the customer has selected a calling plan. A person will be placed in the Casual Calling category when a person's IDT America account is terminated and the person does not contact his local exchange carrier to select a new carrier and continues to make calls over the Carrier's network or when a person who has not established an account with IDT America places calls over the Carrier's network from an equal access area using an access code and until such time as Company is contacted by a new interstate interexchange carrier that the person has established new service or the customer has agreed to reinitiate service with Company.

SECTION 3 - DESCRIPTION OF SERVICE (cont'd)

3.5 Service Offerings (cont'd)

3.5.7 Local Calls and Directory Assistance

Local calls will not be accepted or completed. IDT America does not provide local directory assistance. Access to long distance directory assistance is obtained by dialing 1+ 555-1212 for listings within the originating area code and 1+ (area code) + 555-1212 for other listings. When more than one number is requested in a single call, a charge may apply for each number requested. A charge will be applicable for each number requested, whether or not the number is listed or published.

3.5.8 Specialized Pricing Arrangements

Customized service packages and competitive pricing packages at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers to the Company for proposals or for competitive bids. Service offered under this tariff provision will be provided to Customers pursuant to contract. Unless otherwise specified, the regulations for such arrangements are in addition to the applicable regulations and prices in other sections of the tariff. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis. The Company will notify the Commission of such offerings as required by Commission rules and regulations.

SECTION 3 - DESCRIPTION OF SERVICE (cont'd)

3.5 Service Offerings (cont'd)

3.5.9 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.10 Promotional Offerings

The Company may, from time to time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations. The Company will notify the Commission of such offerings as required by Commission rules and regulations.

3.5.11 Liability for Travel Card, Prepaid Calling Cards, Rechargeable Calling Cards:

The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of the Company Travel Cards, Prepaid Calling Cards and Rechargeable Calling Cards provided that the unauthorized use occurs before the Company has been notified.

The Customer must give the Company notice that unauthorized use of a Company Travel Card has occurred or may occur as a result of loss, theft or other reasons. For the purposes of this section, "notice" occurs when the Company receives written or oral confirmation that unauthorized use of a Company Travel Card, Prepaid Calling Cards, or Rechargeable Calling Cards has occurred or may occur as a result of loss, theft or other reasons. Lost Travel Cards, Prepaid Calling Cards or Rechargeable Calling Cards must be reported within 24 hours.

The liability of the Customer for unauthorized use of the Network by Travel Card, Prepaid Calling Cards or Rechargeable Calling Cards fraud will not exceed the lessor of $500 of the amount of money, property, labor or services obtained by the unauthorized user before notification to the Company. If a Customer fails to report a lost or stolen Travel Card in a timely manner, Company will credit Customer no more than $25.00 in fraudulent usage.

SECTION 4 - RATES

4.1 1+ Dialing

IDT America will charge flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in South Dakota as follows:

$0.18

4.2 Prepaid Local Access Number Cards and 800 Debit Cards

IDT America will charge the following flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in South Dakota as follows:

$0.069

This rate applies twenty-four (24) hours per day, seven (7) days per week.

4.3 8XX Service

IDT America will charge a flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in South Dakota as follows:

$0.179

SECTION 4 - RATES

4.4 Rechargeable Calling Cards

Rechargeable Calling Cards are available in various dollar denominations.

Price Per Minute
$0.069

4.5 Travel Cards:

IDT will charge the following for calls originating and terminating in the State of South Dakota as follows:

$0.10

ISSUED BY: Diane Clark, Associate General Counsel
520 Broad Street
Newark, New Jersey 07103

SECTION 4 - RATES

4.6 Prepaid Retail Calling Cards and 800 Debit Cards:

IDT will charge the following for calls originating and terminating in the State of South Dakota as follows:

$0.08 plus $0.40 connection charge

4.7 Casual Caller Rates:

IDT will charge a maximum of $1.00-$1.50 per minute.

4.8 Directory Assistance Charges

A charge per number requested will be assessed as follows:

1+	$0.75 per call
Retail Card	$1.00 per minute
Rechargeable	$1.40 per minute

4.9 Returned Check Charge

$20.00

4.10 Rate Periods

Reserved for Future Use

349699.2

VERIFICATION

VERIFICATION

STATE OF New Jersey)
) ss
COUNTY OF Essex)

I, James Courter, President [title] of IDT America, Corp. declare under penalty of perjury that I am authorized to make this verification on behalf of IDT America, Corp., the Applicant in the subject proceeding, that I have read the foregoing Application and know the contents thereof, that the same are true of my knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe to be true.

NAME:
TITLE:
IDT America, Corp.

Sworn and subscribed before me this 29 day of Sept. [illegible]

Signature of official administering oath

My commission expires. 9/21/2003

[illegible]
A Notary Public of New Jersey
My Commission Expires [illegible]

...DLER BERLIN SHEREFF FRIEDMAN, LLP [illegible]

CHECK NO.: D 125210

REF. #	INV. #	DATE	INVOICE AMOUNT	INVOICE DESCRIPTION	AMOUNT PAID
[illegible]	[illegible]	09-29-00	250.00		250.00

...ount: [illegible]

TC00-168

...USTOMER NO.

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K STREET, N.W. SUITE 300
WASHINGTON, DC 20007

CHECK DATE
09/29/00

CHECK NO. D 125210

Citibank DC Operating
1775 Pennsylvania Avenue, NW
Suite 440
Washington, DC 20006

CHECK AMOUNT

250.00*******

TWO HUNDRED FIFTY AND 00/100 Dollars

TWO SIGNATURES REQUIRED ON CHECK OVER $10,000.00

PAY TO THE ORDER OF South Dakota Public Utilities Commission

OPERATING ACCOUNT

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of October 5, 2000 through October 11, 2000

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing.
Phone: 605-773-3705 Fax: 605-773-3809

ELECTRIC

EL00-029 **In the Matter of the Application of Xcel Energy, Inc. for Approval to Extend Expected Merger Benefits to its South Dakota Service Territory and Customers.**

An application by Xcel Energy, Inc. for approval of a memorandum of understanding which would provide benefits to its customers and service territory was filed with the Commission. Excel Energy, Inc. proposes to provide an additional contribution to its annual economic development investment within its service territory for a limited time and also agrees to a conditional rate moratorium until May 1, 2004. The agreement is being offered to provide rate payers expected benefits of the recent merger between Northern States Power Company and New Century Energies Company.

Staff Analyst: Dave Jacobson
Staff Attorney: Karen Cremer
Date Docketed: 10/10/00
Intervention Deadline: NA

TELECOMMUNICATIONS

TC00-146 **In the Matter of ACC National Long Distance Corporation d/b/a Vista International Communications' Failure to Submit a Report and Pay the Gross Receipts Tax.**

TC00-147 **In the Matter of Accutel Communications, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.**

TC00-148 **In the Matter of ACOMM, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.**

TC00-149 **In the Matter of Atlantic Telephone Company, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.**

TC00-150 **In the Matter of ClearPoint Communications, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.**

TC00-151 **In the Matter of Columbia Telecommunications, Inc. d/b/a aXessa's Failure to Submit a Report and Pay the Gross Receipts Tax.**

TC00-152 **In the Matter of ConnectAmerica, Inc. d/b/a Connect US' Failure to Submit a Report and Pay the Gross Receipts Tax.**

TC00-153 **In the Matter of ConQuest Operator Services Corp.'s Failure to Submit a Report and Pay the Gross Receipts Tax.**

TC00-154	In the Matter of Federal TransTel, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-155	In the Matter of Home Owners Long Distance, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-156	In the Matter of IdealDial Corporation's Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-157	In the Matter of Inacom Communications, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-158	In the Matter of Inmark, Inc. d/b/a Preferred Billing's Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-159	In the Matter of International Telecommunications Corp. d/b/a Discount Direct Dialing's Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-160	In the Matter of Legends Communications, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-161	In the Matter of Long Distance America, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-162	In the Matter of NeTel, Inc. d/b/a TEL3's Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-163	In the Matter of Nor Communications, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-164	In the Matter of Qcc Incorporated's Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-165	In the Matter of Quest Telecommunications, Inc. d/b/a QTI's Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-166	In the Matter of SBR, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.
TC00-167	In the Matter of USBG, Inc.'s Failure to Submit a Report and Pay the Gross Receipts Tax.

The above companies shall appear on November 1, 2000, at 9:00 a.m. in the Cactus Conference Room, State Capitol Building, Pierre, SD, to show cause why action should not be taken against the company for failure to comply with SDCL Chapter 49-1A.

Deputy Executive Director: Sue Cichos
Staff Attorney: Karen Cremer
Date Docketed: 10/05/00
Hearing Date: 11/01/00

TC00-168	In the Matter of the Application of IDT America, Corp. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

IDT America, Corp. is seeking a Certificate of Authority to provide interexchange telecommunication services in South Dakota. The applicant is a reseller that intends to offer 1+ MTS, 101XXXX, prepaid calling card, toll free, and rechargeable calling card services to and from all points within South Dakota.

Staff Analyst: Keith Senger
Date Docketed: 10/05/00
Intervention Deadline: 10/27/00

TC00-169 In the Matter of the Filing for Approval of a Resale Agreement between Qwest Corporation and Flatel, Inc.

A Resale Interconnection Agreement between Qwest Corporation (Qwest) and Flatel, Inc., was filed with the Commission for approval. The agreement is a negotiated agreement which sets forth the terms, conditions and prices under which Qwest will provide the Unbundled Network Element Platform and/or services for resale to Flatel for the provision of local exchange services. Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than October 26, 2000. Parties to the agreement may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Karen Cremer
Date Docketed: 10/06/00
Initial Comments Due: 10/26/00

TC00-170 In the Matter of the Application of 360Networks (USA) Inc. for a Certificate of Authority to Provide Local Exchange Services in South Dakota.

360networks (USA) inc. is seeking a Certificate of Authority to provide resold and facilities-based local exchange service in South Dakota. Initially, the applicant will provide non-switched dedicated and private line, high capacity fiber optic transmission capacity and access services and will eventually expect to offer a broad range of voice and data local exchange services to business and residential customers throughout the state.

Staff Analyst: Heather Forney
Date Docketed: 10/10/00
Intervention Deadline: 10/27/00

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FAX (202) 424-7647
WWW.SWIDLAW.COM

[illegible]
[illegible]
[illegible]
[illegible]
[illegible]

October 17, 2000

RECEIVED
OCT 18 2000
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

VIA OVERNIGHT DELIVERY

William Bullard, Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Ave.
State Capitol Building, First Floor
Pierre, South Dakota 57501

Re: SDPUC Docket TC00-168: In the Matter of the Application of IDT America, Corp. for Certificate of Authority to Provide Telecommunications Services in of South Dakota – **Response to Letter Dated October 13, 2000**

Dear Mr. Bullard:

Pursuant to a letter dated October 13, 2000 from Keith Senger of the Public Utilities Commission, enclosed for filing on behalf of IDT America, Corp. ("IDT America") is an original and eleven (11) copies of IDT America, Corp.'s ("IDT America") revised tariff sections 2.10.3 and 3.2 indicating a customer dispute period of 180 days. IDT America is in the process of obtaining a $25,000 bond. IDT America will submit the $25,000 bond to the Commission as soon as it becomes available.

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, postage-paid envelope attached. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Respectfully Submitted,

William B. Wilhelm, Jr.
Kevin D. Minsky

Counsel for IDT America, Corp.

Enclosures

cc: Diane Clark (IDT America)
Carl Billek (IDT America)
Kelly A. Olson

2.10 Payment and Billing

2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt. Interest at the rate of 1.5% per billing cycle, or the amount otherwise authorized by law, whichever is lower, will accrue upon any unpaid amount commencing 30 days after rendition of bills.

2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, presubscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, presubscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Thereafter, charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within 180 days after such bills are rendered. All fraudulent 1+ usage must be reported to the Company no more than 180 days after the invoice date. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such 180 day period.

2.10.4 Casual callers are responsible for payment of all charges for services furnished.

SECTION 3 - DESCRIPTION OF SERVICE (cont'd)

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

520 Broad Street
Newark, NJ 07102
(800) 691-8438

Any objection to billed charges should be reported promptly to IDT America. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

If notice of a dispute as to charges is not received in writing by the Company, within 180 days after an invoice is rendered, such invoice shall be deemed to be correct and binding upon the Customer.

The Company will respond within seventy two (72) hours of receipt of an inquiry. If the Customer is dissatisfied with the Company's response to a complaint or inquiry, the Customer may file the Commission for resolution of the conflict. The South Dakota Public Utilities Commission can be reached at:

500 East Capitol
Pierre, SD 57501-5070
(605) 773-3201
(800) 332-1782

If a Customer accumulates more than Fifty Dollars ($50.00) of undisputed delinquent 800 Service charges, the IDT Resp. Org. reserves the right not to honor that Customer's request for a Resp. Org. change until such undisputed charges are paid in full.

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FAX (202) 424-7647
[illegible]

[illegible]

November 8, 2000

RECEIVED
NOV 13 2000
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

<u>VIA OVERNIGHT DELIVERY</u>

William Bullard, Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Ave.
State Capitol Building, First Floor
Pierre, South Dakota 57501

Re: Application of IDT America, Corp. for Certificate of Authority to Provide Resold <u>Interexchange Telecommunications Services Within the State of South Dakota</u>

Dear Mr. Bullard:

Pursuant to the South Dakota Public Utilities Commission's October 31, 2000 data request and the instructions of Keith Senger and Karen Cremer of the Commission, please find enclosed an original and eleven (11) copies of IDT America, Corp.'s ("IDT America") revised pages for its South Dakota PUC Tariff No. 1. IDT America respectfully requests that the enclosed revised pages replace the pages currently on file with the Commission.

The following pages are being submitted with this filing:

Original Pages 12 and 13- Sections 2.3.4, 2.3.5, and 2.3.6 have been revised to include the phrase "except as determined by a court of competent jurisdiction pursuant to SDCL 49-13-1 and 49-13-1.1."

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, postage-paid envelope attached. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Respectfully Submitted,

William B. Wilhelm, Jr.
Kevin D. Minsky

Counsel for IDT America, Corp.

Enclosures

cc: Diane Clark (IDT America)
Carl Billek (IDT America)
Kelly A. Olson

2.3 Liability of the Company

2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.

2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

2.3.4 The Company's liability for damages, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects or misrepresentations shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected, except as determined by a court of competent jurisdiction pursuant to SDCL 49-13-1 and 49-13-1.1.

2.3 Liability of the Company (cont'd)

2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others, except as determined by a court of competent jurisdiction pursuant to SDCL 49-13-1 and 49-13-1.1.

2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including but not limited to, loss of revenue or profits, for any reason whatsoever including the breakdown of facilities associated with the service or for any mistakes, omissions, delays, errors or defects in transmission occurring during the course of furnishing service, except as determined by a court of competent jurisdiction pursuant to SDCL 49-13-1 and 49-13-1.1.

2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express, implied, or statutory, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

INDEMNITY BOND
TO THE
PEOPLE OF THE STATE OF SOUTH DAKOTA

Bond. No. ~~25-36-18~~

We, IDT America, Corp., the principal and applicant for a CERTIFICATE OF AUTHORITY to provide telecommunications services within the State of South Dakota, and The Insurance Company of the State of Pennsylvania, as an admitted surety insurer, bind ourselves unto the Public Utilities Commission of the State of South Dakota and the consumers of South Dakota as Obligee, in the sum of $25,000.00.

The conditions of the obligation are such that the principal, having been granted such CERTIFICATE OF AUTHORITY subject to the provision that said principal purchase this Indemnity Bond, and if said principal shall in all respects fully and faithfully comply with all applicable provisions South Dakota State Law, and reimburse customers of IDT America, Corp. for any prepayment or deposits they have made which may be unable or unwilling to return to said customers as a result of insolvency or other business failure, they this obligation shall be void, discharges and forever exonerated, otherwise to remain in full force and effect.

This bond shall take effect as of the date heron and shall remain in force and effect until the surety is released from liability by the written order of the Public Utilities Commission, provided that the surety may cancel this Bond and be relieved of further liability hereunder by delivering thirty (30) days written notice to the Public Utilities Commission. Such cancellation shall not affect any liability incurred or accrued hereunder prior to the termination of said thirty (30) day period.

Dated this 27th day of October, 2000
To be effective this 27th day of October, 2000

Original bond is
in Delaine's bottom
desk drawer

IDT America, Corp.

By: [signature]
James A. Courter, President

Countersigned this 4th day of Dec. 2000.

The Insurance Company of
the State of Pennsylvania

Countersigned for South Dakota

By: Donald E. Loen
Resident Agent

By: [signature]
Michael P. Simmons
Attorney-In-Fact

Individual Acknowledgment

State of ______________ } ss.
County of ______________ }

On this ______________ day of ______________, 19___, before me personally came ______________ to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he executed the same.

My commission expires ______________ ______________
Notary Public

Firm Acknowledgment

State of ______________ } ss.
County of ______________ }

On this ______________ day of ______________, 19___, before me personally came ______________ to me known and known to me to be a member of the firm of ______________ described in and who executed the foregoing instrument, and he thereupon acknowledged to me that he executed the same as and for the act and deed of said firm.

My commission expires ______________ ______________
Notary Public

Corporation Acknowledgment

State of ______________ } ss.
County of ______________ }

On this ______________ day of ______________, 19___, before me personally came ______________ to me known, who being by me duly sworn, did depose and say that he is the ______________ of ______________ the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

My commission expires ______________ ______________
Notary Public

Surety Acknowledgment

State of New York } ss.
County of New York }

On this 27th day of October [illegible] before me personally came Michael P. Simmons to me known, who, being by me duly sworn, did depose and say that he is an attorney-in-fact of The Insurance Company of the State of Pennsylvania the corporation described in and which executed the within instrument; that he knows the corporate seal of said corporation; that the seal affixed to the within instrument is such corporate seal, and that he signed the said instrument and affixed the said seal as Attorney-in-Fact by authority of the Board of Directors of said corporation and by authority of this office under the Standing Resolutions thereof.

[illegible]
Notary [illegible]

My commission expires ______________ [illegible]

The Insurance Company of the State of Pennsylvania
Principal Bond Office: 70 Pine Street, New York, N.Y. 10270

POWER OF ATTORNEY

No. [illegible]

KNOW ALL MEN BY THESE PRESENTS:

That The Insurance Company of the State of Pennsylvania, a Pennsylvania corporation, does hereby appoint

---Michael P. Simmons of New York, New York---

its true and lawful Attorney(s)-in-Fact, with full authority to execute on its behalf bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, issued in the course of its business, and to bind the [illegible] thereby.

IN WITNESS WHEREOF, The Insurance Company of the State of Pennsylvania has executed these presents

this [illegible] day of April, [illegible]

[illegible], Vice President

STATE OF NEW YORK }
COUNTY OF NEW YORK}ss.

On this 17th day of April, 2000 before me came the above named officer of The Insurance Company of the State of Pennsylvania, to me personally known to be the individual and officer described herein, and acknowledged that he executed the foregoing instrument and affixed the seal of said corporation thereto by authority of his office.

[illegible]
Notary Public, State of New York
No. [illegible]
[illegible]
[illegible]

CERTIFICATE

Excerpts of Resolution adopted by the Board of Directors of The Insurance Company of the State of Pennsylvania, on May [illegible]

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint [illegible] represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of [illegible] obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such [illegible] certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or [illegible] and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of [illegible] obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect [illegible] certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

I, Elizabeth M. Tuck, Secretary of The Insurance Company of the State of Pennsylvania, do hereby certify that the foregoing [illegible] adopted by the Board of Directors of this corporation, and the Power of Attorney issued pursuant thereto, are true and correct, [illegible] Resolution and the Power of Attorney are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the facsimile seal of the corporation

this 27th day of October, 2000

Elizabeth M. Tuck

23238 (4/99)

The Insurance Company of the State of Pennsylvania

Executive Offices
70 Pine Street
New York, NY 10270

FINANCIAL STATEMENT

as of DECEMBER 31, 1999

ASSETS

Bonds	$ 550,173,092
Stocks	604,133,529
Collateral Loans	-
Cash & Short-Term Investments	198,314
Agents' Balances or Uncollected Premiums	247,524,201
Funds Held by Ceding Reinsurers	15,905,351
Reinsurance Recoverable on Loss Payments	112,924,354
Equities & Deposits in Pools & Associations	23,154,972
Other Admitted Assets	260,035,011
TOTAL ASSETS	$ 1,917,052,274

LIABILITIES

Reserve for Losses and Loss Expense	$ [illegible]
Reserve for Unearned Premiums	[illegible]
Reserve for Expenses, Taxes, Licenses and Fees	[illegible]
Provision for Reinsurance	[illegible]
Funds Held Under Reinsurance Treaties	[illegible]
Other Liabilities	[illegible]
Capital Stock	[illegible]
Surplus	[illegible]
TOTAL POLICYHOLDERS' SURPLUS	[illegible]
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	$ [illegible]

Bonds and stocks are valued in accordance with the basis adopted by the National Association of Insurance Commissioners. Securities carried at $137,016,259 in the above statement are deposited as required by law.

CERTIFICATE

ELIZABETH M. TUCK, Secretary and ROBERT J. BEIER, Comptroller of Insurance Company of the State of Pennsylvania being duly sworn each for himself, deposes and says that they are above described officers of the said Company and that on the 31st day of December, 1999, the Company actually possessed the assets set forth in the foregoing policyholders and creditors, except as hereinbefore indicated, and that the foregoing statement is correct exhibit of such assets and liabilities of said Company on the 31st day of December, 1999, according to the best of their information, knowledge and belief respectively.

Elizabeth M. Tuck
Secretary

Comptroller

STATE OF NEW YORK
COUNTY OF NEW YORK } ss.

On this 30th Day of March, 2000, before me came the above named officers of Insurance Company of the State of Pennsylvania to me known to be the individuals and officers described herein, and acknowledge that they executed the foregoing instrument and affixed the seal of said corporation thereto by authority of their office.

MIRIAM TAYLOR
Notary Public, State of New York
No. [illegible]
Qualified in Bronx County
Commission Expires [illegible]

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF IDT AMERICA, CORP. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA	)))))	ORDER GRANTING CERTIFICATE OF AUTHORITY TC00-168

On October 5, 2000, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from IDT America, Corp. (IDT).

IDT proposes to offer direct, dial around, prepaid calling cards, toll free and rechargeable calling card services to and from all points within South Dakota. A proposed tariff was filed by IDT. The Commission has classified long distance service as fully competitive.

On October 12, 2000, the Commission electronically transmitted notice of the filing and the intervention deadline of October 27, 2000, to interested individuals and entities. No petitions to intervene or comments were filed and at its January 4, 2001, meeting, the Commission considered IDT's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to a continuous $25,000 surety bond. Commission Staff further recommended a waiver of ARSD 20:10:24:02(8).

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that IDT has met the legal requirements established for the granting of a certificate of authority. IDT has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. Further, the Commission finds that there is good cause to waive ARSD 20:10:24:02(8). The Commission approves IDT's application for a certificate of authority, subject to a continuous $25,000 surety bond. As the Commission's final decision in this matter, it is therefore

ORDERED, that IDT's application for a certificate of authority is hereby granted, subject to a continuous $25,000 surety bond. It is

FURTHER ORDERED, that the Commission finds good cause to waive ARSD 20:10:24:02(8). It is

FURTHER ORDERED, that IDT shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 10th day of January, 2001.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 1/12/01

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As ATelecommunications Company
Within The State of South Dakota

Authority was Granted January 4, 2001
Docket No. TC00-168

This is to certify that

IDT AMERICA, CORP.

is authorized to provide interexchange telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 10th day of January 2001.

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:

JAMES A. BURG, Chairman

PAM NELSON, Commissioner

LASKA SCHOENFELDER, Commissioner