KC/BB

TC03-056

DOCKET NO. TC03-056

In the Matter of IN THE MATTER OF THE APPLICATION OF ENTRIX TELECOM, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
3/12	03	Filed and Docketed;
3/13	03	Weekly Filing;
4/10	03	Surety Bond;
4/24	03	Order Granting COA;
4/24	03	Docket Closed.

TC03-056

Entrix Telecom, Inc.
520 Broad Street
Newark, New Jersey 07102-3111

TC03-056

RECEIVED
MAR 1 2 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

March 10, 2003

VIA OVERNIGHT MAIL

William Bullard, Executive Director
South Dakota Public Utilities Commission
500 E. Capitol
State Capitol Building, 1ST Floor
Pierre, South Dakota 57501

Re: Application for Certificate of Authority

Dear Mr. Bullard:

Enclosed for filing on behalf of Entrix, Corp. ("Entrix") are an original and ten (10) copies of Entrix's application for a Certificate of Authority to provide intrastate interexchange telecommunications services in the State of South Dakota. Also enclosed, please find a check for $250.00 made payable to the South Dakota Public Utilities Commission, to cover the Commission's filing fee.

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, stamped envelope provided herein.

Should you have any questions concerning this filing, please do not hesitate to contact me at (973) 438-4854.

Respectfully submitted,

Carl Wolf Billek

Carl Wolf Billek
Entrix Telecom, Inc.

Enclosure

TC03-056

BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

RECEIVED
MAR 1 2 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Application of	)	
	)	
ENTRIX TELECOM, INC.	)	
	)	
For a Certificate of Authority to	)	Docket No.
Provide Intrastate Interexchange	)	
Telecommunications Services	)	
Within the State of South Dakota	)	

PETITION FOR CERTIFICATE OF AUTHORITY

Entrix, Corp. ("Entrix" or "Petitioner"), by its undersigned counsel, hereby submits its Petition for a Certificate of Authority to provide intrastate interexchange telecommunications services pursuant to Section 49-31-3 of the South Dakota Codified Laws and the Administrative Rules of South Dakota.

In support thereof, Entrix provides the following information as well as a proposed initial tariff:

1. The legal name of the Petitioner is Entrix, Corp. Entrix maintains its principal place of business at:

Entrix Telecom, Inc.
520 Broad Street
Newark, New Jersey 07102-3111
Telephone: (973) 438-1000
Facsimile: (973) 438-1455

2. Correspondence or communications pertaining to this application and the ongoing operations of Entrix should be directed to:

Carl Wolf Billek
Entrix Telecom, Inc.
520 Broad Street
Newark, New Jersey 07102-3111
Telephone: (973) 438-4854
Facsimile: (973) 438-1455

Customer inquiries or complaints may reach Entrix through its toll-free telephone number: 1-800-889-9126.

3. Entrix is a privately held corporation organized under the laws of the State of Delaware. A copy of Entrix's Certificate of Incorporation is attached hereto as **Exhibit 1**. Entrix's Certificate of Qualification to Transact Business in South Dakota is attached hereto as **Exhibit 2**.

Entrix is a wholly owned subsidiary of IDT Domestic Telecom, Inc. IDT Domestic Telecom, Inc., a Delaware corporation, is a wholly owned subsidiary of IDT Telecom, Inc. IDT Telecom, Inc., a Delaware corporation, is a wholly owned subsidiary of IDT Corporation, a Delaware corporation that is publicly traded on the New York Stock Exchange. All of the aforementioned companies are principally located at 520 Broad Street, Newark, New Jersey 07102-3111. Entrix has no subsidiaries. The name and address of Entrix 's registered agent in South Dakota is:

CT Corporation System
319 South Coteau Street
Pierre, South Dakota 57501
Telephone: (605) 224-5826

4. Entrix seeks to provide resold telecommunications services to subscribers to and from all points in the State of South Dakota and therefore seeks statewide authorization.

5. Entrix Services: Petitioner proposes to provide 24-hour intrastate interexchange telecommunications services, including pre-paid calling card services to consumers to and from all points within the state. Subject to demand and overall economic conditions, Entrix may subsequently offer additional services. Attached hereto as **Exhibit 3** is Entrix 's proposed tariff setting forth the proposed rates, charges, and regulations for the services described herein.

Entrix will provide high quality (digital wherever possible) service with a blocking rate no greater than P.01 to all consumers. Entrix's services will be available on a full-time basis, twenty-four hours a day, seven days a week. Entrix's services will use mostly Feature Group D Access and special access facilities.

6. Telecommunications Experience: Entrix was formed to provide telecommunications services. Entrix is currently authorized to provide resold interexchange services, by virtue of certification, registration or on an unregulated basis, in Arkansas, Colorado, Idaho, Iowa, Maine, Michigan, Montana, New Hampshire, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Vermont, Virginia, Wisconsin and Wyoming. Entrix has never been denied certification to provide telecommunications services. An affiliate of Entrix, IDT America, Corp. is authorized to provide intrastate interexchange telecommunications services in all fifty states. A second affiliate, Winstar Communications, LLC is authorized to provide local exchange and interexchange service in all states except Alaska.

7. Petitioner's officers are well qualified to execute its business plan, having extensive managerial, financial, and technical telecommunications experience. Descriptions of the telecommunications and managerial experience of Petitioner's key personnel are attached hereto as **Exhibit 4**.

8. Petitioner is financially qualified to provide interexchange telecommunications services in the State. In particular, Petitioner has access to the financing and capital necessary to conduct its telecommunications operations as specified in this Petition. Petitioner will rely on the existing personnel, technical and financial resources of its parent, IDT Corporation, to provide intrastate services; accordingly, no additional investment will be needed to offer the proposed services. Current financial information for IDT Corporation, consisting of IDT Corporation's Form 10-K for the Period ended July 31, 2002, is attached hereto as **Exhibit 5**.

9. Approval of this Petition will serve the public interest by creating greater competition in the interexchange marketplace and by providing consumers a greater choice of long distance services. Petitioner believes that maintaining alternatives in the long distance service market will provide South Dakota callers with the most competitive prices and widest arrangement of service and billing options possible. Information concerning Entrix's proposed marketing business structure is attached hereto as **Exhibit 6**.

10. An Indemnity Bond to the People of the State of South Dakota is attached hereto at **Exhibit 7**.

WHEREFORE, Entrix Telecom, Inc. requests that the South Dakota Public Utilities Commission grant the requested authority to provide intrastate interexchange telecommunications services in the State of South Dakota.

Respectfully submitted,
Carl Wolf Billek

Carl Wolf Billek
Entrix Telecom, Inc.
520 Broad Street
Newark, New Jersey 07102-3111
Telephone: (973) 438-4854
Facsimile: (973) 438-1455

Dated: March 10, 2003

EXHIBITS

Exhibit 1	Certificate of Incorporation
Exhibit 2	Certificate of Authority to Transact Business
Exhibit 3	Proposed Tariff
Exhibit 4	Management Qualifications
Exhibit 5	Financial Information
Exhibit 6	Marketing and Business Information
Exhibit 7	Indemnity Bond
Verification	

Exhibit 1

Certificate of Incorporation

Exhibit 2

Certificate of Authority to Transact Business

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

Certificate of Authority

ORGANIZATIONAL ID #: FB026801

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of **ENTRIX TELECOM, INC. (DE)** 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.

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 November 21, 2002.

Joyce Hazeltine

Joyce Hazeltine
Secretary of State

Cert of Authority Merge.doc

Secretary of State
State Capitol
500 E. Capitol Ave.
Pierre, SD 57501
Phone 605-773-4845
Fax 605-773-4550

FILE NO. ______

RECEIPT NO. ______

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 statement:

RECEIVED '02

SECRETARY OF STATE

(1) The name of the corporation is ENTRIX TELECOM, INC.
(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 DELAWARE Federal Taxpayer ID# 04-3712683

(4) The date of its incorporation is AUGUST 16, 2002 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
1209 Orange Street Wilmington, Delaware Zip Code 19801
mailing address if different from above is: 50 ROCKEFELLER PLAZA, SUITE 1022
NEW YORK, NY Zip Code 10020

(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
319 S. COTEAU STREET PIERRE, S.D. Zip Code 57501
and the name of its proposed registered agent in the State of South Dakota at that address is CT 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)
TELECOMMUNICATION SERVICE

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

Name	Officer Title	Street Address	City	State	Zip
MORRIS LICHTENSTEIN	PRESIDENT/DIRECTOR	520 BROAD STREET	NEWARK	NJ	07102
NORMAN ROSENBERG	SECRETARY	520 BROAD STREET	NEWARK	NJ	07102
DOUG MAURO	DIRECTOR	520 BROAD STREET	NEWARK	NJ	07102

(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
1,500		COMMON	$0.01

(10) The aggregate number of its issued shares, 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
1,500		common	$.01 par value

(11) The amount of its stated capital is $ 15
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 October 18, 2002

[signature]
(Signature)

President
(Title)

STATE OF New Jersey
COUNTY OF Essex

I, Wendy Moreano, a notary public, do hereby certify that on this 18th day of October 2002, personally appeared before me Morris Lichtenstein who, being by me first duly sworn, declared that he/she is the President of Entrix Telecom, Inc., that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

Wendy Moreano
(Notary Public)

My Commission Expires

WENDY MOREANO
A Notary Public of New Jersey
My Commission Expires 9/21/2003

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

agent for EXTRIX TELECOM, INC.
(corporate name)

Dated 10/25 2002

[signature]
(signature of registered agent)

Exhibit 3

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 Entrix Telecom, Inc. ("Entrix"), with principal offices at 520 Broad Street, Newark, New Jersey 07102-3111. 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.

CONCURRING, CONNECTING OR

OTHER PARTICIPATING CARRIERS AND

BILLING AGENTS

1. Concurring Carriers - None
2. Connecting Carriers - None
3. Other Participating Carriers - None
4. Billing Agents - None

CHECK SHEET

Sheets 1 through 30 inclusive 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		
12	Original		
13	Original		
14	Original		
15	Original		
16	Original		
17	Original		
18	Original		
19	Original		
20	Original		

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Sheet

TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the sheet. 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 sheets 11 and 12 would be sheet 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 sheet 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 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 or discontinuance
(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

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 Entrix's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable Entrix 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.

Commission - Used throughout this tariff to mean the South Dakota Public Utilities Commission.

Customer - The person, firm, corporation or other legal entity which orders the services of Entrix or purchases a Entrix 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.

Company or Entrix - Used throughout this tariff to mean Entrix Telecom, Inc., a Delaware corporation.

Holiday - New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holidays shall be billed at the evening rate from 8 a.m. to 11 p.m. After 11 p.m., the lower night rate shall go into effect.

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 Calling 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.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

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 resold telecommunications services provided by Entrix 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 or a Customer's deposit, if required. The service application and the deposit 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.

2.1 Undertaking of the Company (Cont'd)

2.1.1 The services provided by Entrix 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 Entrix 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 Entrix.

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.

2.2 Use of Services

2.2.1 Entrix'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 Entrix'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 Entrix'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 Entrix's services are available for use 24 hours per day, 7 days per week.

2.2.5 Entrix does not transmit messages, but the services may be used for that purpose.

2.2.6 Entrix'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.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

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.

2.3.5 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.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Liability of the Company (Cont'd)

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.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders 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 Entrix on the Customer's behalf.

2.4.3 If required for the provision of Entrix's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to Entrix.

2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to Entrix and the Customer when required for Entrix personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of Entrix'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 Entrix'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 Entrix's facilities or services, that the signals emitted into Entrix'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, Entrix 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 Entrix equipment, personnel or the quality of service to other Customers, Entrix may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Entrix may, upon written notice, terminate the Customer's service.

2.4.7 The Customer must pay Entrix for replacement or repair of damage to the equipment or facilities of Entrix 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 Entrix equipment installed at Customer's premises.

2.4.9 If Entrix 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.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Cancellation or Interruption of Services (Cont'd)

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 to the Customer, Entrix may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

2.5.1.A For nonpayment of any sum due Entrix for more than thirty (30) days after issuance of the bill for the amount due,

2.5.1.B For violation of any of the provisions of this tariff,

2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over Entrix's services, or

2.5.1.D By reason of any order or decision of a court, Public Utilities Commission or federal regulatory body or other governing authority prohibiting Entrix from furnishing its services.

2.5.2 Without incurring liability, Entrix 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 Entrix's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by Entrix 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 Entrix deems it necessary to take such action to prevent unlawful use of its service. Entrix 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.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Cancellation or Interruption of Services (Cont'd)

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.

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.

2.6.5 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 Credit Allowance (Cont'd)

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

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

Entrix 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. Except as specified in Section 2.13 below, interest at the rate of 1.5% per billing cycle, or the amount otherwise authorized by law, whichever is lower, will accrue upon unpaid amounts commencing thirty (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, subscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, subscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. The initial billing may, at Company's option, also include one-month's estimated usage billed in advance. 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.

2.11 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated or non-regulated 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 included within a 20% tax which shall be deducted from prepaid calling card for services provided.

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 $10.00 will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.15 Location of Service

The Company will provide services to Customers and their end users within the State of South Dakota.

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 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. Calls are measured in initial three-minute increments with the final minute rounded up to a five-minute 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 originating and terminating telephone 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 industry standards.

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. Entrix 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, New Jersey 07102-3111
(800) 889-9126

Any objection to billed charges should be reported promptly to Entrix. 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 in not received by 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 with 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

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.

SECTION 3 - DESCRIPTION OF SERVICE (Cont'd)

3.4 Billing Entity Conditions

When billing functions on behalf of Entrix 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. Entrix's name and toll-free telephone number will appear on the Customer's bill.

3.5 Service Offerings

3.5.1 Prepaid Toll Free Calling Cards

This service permits the use of prepaid calling cards for placing calls within the State. Customers may purchase Prepaid Toll Free Calling Cards at a variety of retail outlets or through other distribution channels. These cards are available in face values of $5.00, $10.00, and $20.00 and are non-refundable.

Prepaid Toll Free Calling Cards are accessed using a toll free number telephone number printed on the card. The caller 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 is deducted from the remaining balance on the 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. Cardholders may dial another telephone number while using the card by depressing the pound (#) button and entering in the new telephone number.

A credit allowance for Prepaid Toll Free Calling Cards is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. 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 the call was placed.

SECTION 3 - DESCRIPTION OF SERVICE (Cont'd)

3.5 Service Offerings (Cont'd)

3.5.1 Prepaid Toll Free Calling Cards (Cont'd)

When a call charged to a Prepaid Toll Free 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 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 Prepaid Toll Free Calling Card. 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.

Prepaid Toll Free Calling Cards expire ninety (90) days after initial use.

3.5 Service Offerings (Cont'd)

3.5.2 Prepaid Local Access Calling Cards

This service permits the use of prepaid calling cards for placing calls within the State. Customers may purchase Prepaid Local Access Calling Cards at a variety of retail outlets or through other distribution channels. These cards are available in face values of $5.00, $10.00, and $20.00 and are non-refundable.

Prepaid Local Access Calling Cards are accessed using a local access number telephone number printed on the card. The caller 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 is deducted from the remaining balance on the 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. Cardholders may dial another telephone number while using the card by depressing the pound (#) button and entering in the new telephone number.

A credit allowance for Prepaid Local Access Calling Cards is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. 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 the call was placed.

3.5 Service Offerings (Cont'd)

3.5.2 Prepaid Local Access Calling Cards (Cont'd)

When a call charged to a Prepaid Local Access 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 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 Prepaid Local Access Calling Card. 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.

Prepaid Local Access Calling Cards expire ninety (90) days after initial use.

3.5 Service Offerings (Cont'd)

3.5.3 Directory Assistance

Entrix 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.

3.5.4 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.

3.5.5 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.6 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.

SECTION 4 - RATES

4.1 Prepaid Toll Free Calling Cards

Prepaid Toll Free Calling Cards may be used as listed below, twenty-four hours a day, seven days a week, three hundred and sixty-five days a year.

The Intrastate Usage Rates for Prepaid Toll Free Calling Cards are:

$0.50 per minute rate.

$1.00 per-call connection rate.

A bi-weekly service charge of $0.79 shall be applied after its first use and every fourteen (14) days thereafter.

A surcharge of $0.65 shall be applied to each completed call made from a payphone using a Prepaid Toll Free Calling Card.

4.2 Prepaid Local Access Calling Cards

Prepaid Local Access Calling Cards may be used as listed below, twenty-four hours a day, seven days a week, three hundred and sixty-five days a year.

The Intrastate Usage Rates for Prepaid Local Access Calling Cards are:

$0.50 per minute rate.

$1.00 per-call connection rate.

A bi-weekly service charge of $0.79 shall be applied after its first use and every fourteen (14) days thereafter.

4.3 Directory Assistance

A surcharge per call of $1.00 shall apply to all Directory Assistance calls.

Exhibit 4

Management Qualifications

Managerial Qualifications

Morris Lichtenstein has been the President of Entrix Telecom, Inc. since its inception. He continues to serve as the Executive Vice President of Business Development of IDT Corporation, as he has since January 2000. From January 1999 to December 1999, Mr. Lichtenstein served as Controller for IDT Corporation. Since August 2001, Mr. Lichtenstein has also served as the Vice Chairman and Board of Directors and Chief Executive Officer of IDT Telecom, Inc. From January 1998 to December 1999, Mr. Lichtenstein served as the Controller of Mademoiselle Knitwear, Inc. Mr. Lichtenstein received his B.A. from Touro College.

Norman Rosenberg has been the Secretary of Entrix Telecom, Inc. since its inception. He is also the Chief Financial Officer of IDT Corporation's ("IDT") wholly owned subsidiary, IDT Telecom, Inc. Since joining IDT in October 1999, he has served in a variety of roles, including Senior Vice President of Capital Markets, Vice President of Finance and Director of Investor Relations. Before joining IDT, Mr. Rosenberg spent five years at Standard & Poor's Corp., most recently as a Senior Investment Officer in Standard & Poor's Equity Research department, acting as the firm's senior Energy equity analyst. He was also a member of Standard & Poor's Investment Policy and Portfolio committees. Mr. Rosenberg received his M.S. in Finance from the Johns Hopkins University in Baltimore, MD. He is also a Chartered Financial Analyst and a member of the Association of Investment Management and Research and the New York Society of Security Analysts.

Exhibit 5

Financial Information

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

FORM 10-K

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

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JULY 31, 2002, 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 of 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 area code)

(973) 438-1000
(Registrant's telephone number, including area code)

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

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 ☒ 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 on October 25, 2002 of the Common Stock of $17.66 and of the Class B Common Stock of $16.30, as reported on the New York Stock Exchange, was approximately $821 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 Registrant's Class A Common Stock) or Class B 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 25, 2002, the Registrant had outstanding 25,020,972 shares of Common Stock, $.01 par value, 9,816,988 shares of Class A Common Stock, $.01 par value, and 54,091,855 shares of Class B Common Stock, $.01 par value. Included in these numbers are 5,419,963 shares of Common Stock and 4,019,163 shares of Class B Common Stock, held by IDT Corporation.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in the Registrant's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after July 31, 2002, is incorporated by reference in Part II (Item 5) and 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

PART IV

Item 15. *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.

Schedule No.	Description
I.	Valuation and Qualifying Accounts

3. Exhibits

Exhibit Number	Description of Exhibit
3.01(1)	Restated Certificate of Incorporation of the Registrant.
3.02(1)	By-laws of the Registrant.
3.03(16)	Certificate of Amendment to the Restated Certificate of Incorporation of the Registrant.
10.01(2)	Employment Agreement between the Registrant and Howard S. Jonas.
10.02(18)	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(10)	Employment Agreement between the Registrant and James Courter.
10.9(7)	Agreement between Cliff Sobel and the Registrant.
10.10(10)	Employment Agreement between the Registrant and Hal Brecher.
10.11(10)	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 Nam Tam, Mary Jo Altom and Lisa Mikulynec.
10.13(9)	Securities Purchase Agreement between the Registrant, Carlos Gomez and Union Telecard Alliance, LLC.
10.14(10)	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(10)	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(10)	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(10)	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(10)	Loan Agreement between the Registrant and Stephen Brown.

Exhibit Number	Description of Exhibit
10.19(11)	Internet/Telecommunications Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.20(11)	Joint Marketing Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.21(11)	IDT Services Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.22(11)	Net2Phone Services Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.23(11)	Assignment Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.24(11)	Tax Sharing and Indemnification Agreement, dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.25(11)	Separation Agreement; dated as of May 7, 1999, by and between Registrant and Net2Phone, Inc.
10.26(11)	Co-location and Facilities Management Services Agreement, dated as of May 20, 1999, by and between Registrant and Net2Phone, Inc.
10.27(12)	Lease of 520 Broad Street, Newark, New Jersey.
10.28(12)	Amendment to Lease of 520 Broad Street, Newark, New Jersey.
10.29(13)	Option Agreement, dated as of March 3, 2000, between IDT Corporation and AT&T Corp.
10.30(14)	Amendment to Option Agreement, dated as of April 5, 2000 between IDT Corporation and AT&T Corp.
10.31(13)	Subscription Agreement, dated as of March 24, 2000, between IDT Corporation and Liberty Media Corporation.
10.32(14)	Amendment to Subscription Agreement, dated as of May 26, 2000, between IDT Corporation and Liberty Media Corporation.
10.33(13)	Letter Agreement, dated as of March 28, 2000, between IDT Corporation, AT&T Corp. and Net2Phone, Inc.
10.34(13)	Letter Agreement, dated as of March 30, 2000, between IDT Corporation, AT&T Corp. and Net2Phone, Inc.
10.35(15)	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.
10.36(19)	Stock Exchange Agreement, dated as of April 18, 2001, by and among IDT Investments Inc., IDT Corporation, IDT America, Corp., 225 Old NB Road, Inc., 226 Old NB Road, Inc., 60 Park Place Holding Company, Inc., Liberty Media Corporation, Microwave Holdings, L.L.C. and Liberty TP Management, Inc.
10.37(19)	Stockholders Agreement, dated as of November 26, 1997, by and among Teligent, Inc., Microwave Services, Inc., Telcom-DTS Investors, L.L.C. and NTTA&T Investment Inc. (Incorporated by reference to Exhibit 2 to Schedule 13D, filed by The Associated Group, Inc. and Microwave Services, Inc. on December 8, 1997 with respect to securities of Teligent, Inc.)
10.38(19)	Registration Rights Agreement, dated as of March 6, 1998, by and between Teligent, Inc. and Microwave Services, Inc. (Incorporated by reference to Exhibit 6 to Amendment No. 1 to Schedule 13D, filed by The Associated Group, Inc. and Microwave Services, Inc. on March 9, 1998 with respect to securities of Teligent, Inc.)

Exhibit Number	Description of Exhibit
10.39(19)	Stockholders Agreement, dated as of January 13, 2000, by and among Alex J. Mandl, Liberty Media Corporation, Telcom-DTS Investors, L.L.C. and Microwave Services, Inc. (Incorporated by reference to Exhibit 7(i) to Schedule 13D, filed by Liberty AGI, Inc. on January 24, 2000 with respect to securities of Teligent, Inc.)
10.40(20)	Amendment to the Employment Agreement between the Registrant and James A. Courter
10.41(20)	Amendment No. 2 to the Employment Agreement between the Registrant and James A. Courter
10.42(21)	Asset Purchase Agreement, dated December 18, 2001, between IDT Winstar Acquisition, Inc., Winstar Communications, Inc. and the subsidiaries of Winstar listed on Appendix 1 thereto.
10.43(22)	Employment Agreement between the Registrant and Howard S. Jonas.
10.44(23)	Subscription Agreement, dated as of August 11, 2000, by and between Net2Phone and AT&T.
10.45(23)	Stock Purchase Agreement, dated as of August 11, 2000, by and between AT&T, IDT and IDT Investments.
10.46(23)	Voting Agreement, dated as of August 11, 2000, by and between ITelTech and IDT Investments.
10.47(24)	Limited Liability Company Agreement, dated as of October 19, 2001, of Net2Phone Holdings, by IDT D-U
10.48(24)	Amended and Restated Limited Liability Company Agreement, dated as of October 19, 2001, of Net2Phone Holdings, by and among AT&T, ITelTech, IDT and IDT D-U
10.49(24)	Second Amended and Restated Limited Liability Company Agreement, dated as of October 19, 2001, of Net2Phone Holdings, by and among AT&T, ITelTech, IDT, IDT D-U, IDT Investments, Liberty Media and LMC
10.50(25)	Stockholders Agreement, dated as of May 13, 1999, by and among IDT, Clifford M. Sobel, Net2Phone and the additional investors listed on Schedule A thereto.
10.51(26)	Amended and Restated Limited Liability Company Agreement, dated as of November 8, 2001, of IT Stock, by Net2Phone Holdings.
10.52(26)	Amendment No. 1 to the Second Amended and Restated Limited Liability Company Agreement, dated as of October 31, 2001, of Net2Phone Holdings, by and among AT&T, ITelTech, IDT, IDT D-U, IDT Investments, Liberty Media and LMC.
10.53*	Amendment No. 1 to Securities Purchase Agreement, dated April 24, 2002, by and among the Registrant, UTCG Holdings LLC and Union Telecard Alliance, LLC.
10.54*	Amended and Restated Operating Agreement of Union Telecom Alliance, LLC, dated April 24, 2002, by and among UTCG Holdings LLC, IDT Domestic-Union, LLC, the Registrant and Union Telecard Alliance, LLC.
10.55*	Amended and Restated Distribution Agreement, dated April 24, 2002, by and between IDT Netherlands, B.V. and Union Telecard Alliance, LLC.
10.56*	Unit Purchase Agreement, dated April 10, 2002, by and among WCI Capital Corp., Dipchip Corp., the Registrant and Winstar Holdings, LLC.
10.57*	Lock-up, Registration Rights and Exchange Agreement, dated June 6, 2000, by and between the Registrant and Liberty Media Corporation.
10.58*	Letter Agreement, dated April 22, 2002, by and between Charles Garner and the Registrant.
10.59*	Employment Agreement, dated February 4, 2002, by and between the Registrant and E. Brian Finkelstein.

Exhibit Number	Description of Exhibit
10.60*	Amendment to the Employment Agreement, dated October 24, 2002, between the Registrant and E. Brian Finkelstein.
21.01*	Subsidiaries of the Registrant.
23.01*	Consent of Ernst & Young LLP.
99.1(a)*	Certification of Chief Executive Officer
99.1(b)*	Certification of Chief Financial Officer

* filed herewith

(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, 1996 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, 1998.
(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.
(12) Incorporated by reference to Form 10-K for the fiscal year ended July 31, 1999, filed November 4, 1999.
(13) Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 2001, filed March 12, 2000.
(14) Incorporated by reference to Form 8-K filed March 31, 2000.
(15) Incorporated by reference to Schedule 14C filed June 12, 2000.
(16) Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 2000, filed June 14, 2000.
(17) Incorporated by reference to Form 10-Q for the fiscal quarter ended October 31, 2000, filed December 15, 2000.
(18) Incorporated by reference to Form 10-Q for the fiscal quarter ended January 31, 2001, filed March 19, 2001.
(19) Incorporated by reference to Schedule 13D filed on April 30, 2001.
(20) Incorporated by reference to Form 10-Q for the fiscal quarter ended October 31, 2001, filed December 17, 2001.
(21) Incorporated by reference to Form 8-K filed January 3, 2002.
(22) Incorporated by reference to Form 10-Q for the fiscal quarter ended April 30, 2002, filed June 14, 2002.
(23) Incorporated by reference to Schedule 13D filed on August 21, 2000, with respect to Net2Phone, by IDT Investments, IDT and Howard S. Jonas.
(24) Incorporated by reference to Schedule 13D, filed on October 25, 2001, with respect to Net2Phone, by Net2Phone Holdings, L.L.C., IDT Domestic-Union, LLC, IDT Investments Inc., IDT Nevada Holdings, Inc., IDT Domestic Telecom, Inc., IDT Telecom, Inc., IDT Corporation, Howard S. Jonas, ITelTech, LLC and AT&T Corp.
(25) Incorporated by reference to Form S-1/A of Net2Phone filed June 20, 1999.
(26) Incorporated by reference to Schedule 13D, filed on November 15, 2001, with respect to Net2Phone, by IT Stock, Net2Phone Holdings, IDT D-U, IDT Investments, IDT Nevada, IDT D-T, IDT Telecom, IDT, Howard S. Jonas, ITelTech and AT&T.

(b) Reports on Form 8-K.

On August 28, 2002, the Registrant filed Amendment No.1 to its Current Report on Form 8-K originally filed on January 3, 2002.

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 to be signed on its behalf by the undersigned, thereunto duly authorized.

IDT CORPORATION

By: /s/ JAMES A. COURTER

James A. Courter
Vice Chairman and Chief Executive Officer

Date: October 29, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Titles	Date
/s/ HOWARD S. JONAS Howard S. Jonas	Chairman	October 29, 2002
/s/ JAMES A. COURTER James A. Courter	Vice Chairman and Chief Executive Officer (Principal Executive Officer)	October 29, 2002
/s/ STEPHEN R. BROWN Stephen R. Brown	Chief Financial Officer and Director (Principal Financial Officer)	October 29, 2002
/s/ MARCELO FISCHER Marcelo Fischer	Chief Accounting Officer and Controller (Principal Accounting Officer)	October 29, 2002
/s/ MICHAEL FISCHBERGER Michael Fischberger	Chief Operating Officer and Director	October 29, 2002
/s/ JOYCE J. MASON Joyce J. Mason	Director	October 29, 2002
/s/ MARC E. KNOLLER Marc E. Knoller	Director	October 29, 2002
/s/ MOSHE KAGANOFF Moshe Kaganoff	Director	October 29, 2002
/s/ GEOFFREY ROCHWARGER Geoffrey Rochwarger	Director	October 29, 2002
/s/ MEYER A. BERMAN Meyer A. Berman	Director	October 29, 2002
/s/ J. WARREN BLAKER J. Warren Blaker	Director	October 29, 2002

/s/ SAUL K. FENSTER Saul K. Fenster	Director	October 29, 2002
/s/ MICHAEL J. LEVITT Michael J. Levitt	Director	October 29, 2002
/s/ WILLIAM ARTHUR OWENS William Arthur Owens	Director	October 29, 2002
/s/ PAUL REICHMANN Paul Reichmann	Director	October 29, 2002
/s/ WILLIAM F. WELD William F. Weld	Director	October 29, 2002

CERTIFICATIONS

I, James A. Courter, Chief Executive Officer of IDT Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of IDT Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: October 29, 2002

/s/ JAMES A. COURTER

James A. Courter

CERTIFICATIONS

I, Stephen R. Brown, Chief Financial Officer of IDT Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of IDT Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: October 29, 2002

/s/ STEPHEN R. BROWN

Stephen R. Brown

IDT CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2001 and 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2001 and 2002 and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 2002, in conformity with accounting principles generally accepted in the United States. 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.

New York, New York
October 24, 2002

/s/ ERNST & YOUNG LLP

IDT CORPORATION

CONSOLIDATED BALANCE SHEETS

	July 31 2001	July 31 2002
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$1,091,071	$ 351,248
Marketable securities	3,489	658,731
Trade accounts receivable, net of allowance for doubtful accounts of $22,508 at July 31, 2001 and $38,893 at July 31, 2002	116,759	126,153
Other current assets	32,413	65,291
Total current assets	1,243,732	1,201,423
Property, plant and equipment, net	224,042	250,631
Goodwill	178,293	32,702
Licenses and other intangibles, net	19,511	25,503
Investments	60,732	58,903
Other assets	155,279	38,758
Total assets	$1,881,589	$1,607,920
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 163,313	$ 121,529
Accrued expenses	54,893	124,437
Deferred revenue	71,387	112,183
Capital lease obligations—current portion	20,927	22,960
Other current liabilities	17,819	11,866
Total current liabilities	328,339	392,975
Deferred tax liabilities, net	390,914	241,973
Capital lease obligations—long-term portion	50,179	45,398
Other liabilities	14,502	3,088
Total liabilities	783,934	683,434
Minority interests	21,419	54,956
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; 22,791,789 and 19,568,634 shares issued and outstanding in 2001 and 2002, respectively	228	196
Class A common stock, $.01 par value; authorized shares—35,000,000; 9,816,988 shares issued and outstanding in 2001 and 2002	98	98
Class B common stock, $.01 par value; authorized shares—100,000,000; 39,291,411 and 49,990,681 shares issued and outstanding in 2001 and 2002, respectively	393	500
Additional paid-in capital	494,093	606,387
Treasury stock, at cost	(138,087)	(153,713)
Accumulated other comprehensive loss	(2,575)	(2,675)
Retained earnings	722,086	418,737
Total stockholders' equity	1,076,236	869,530
Total liabilities and stockholders' equity	$1,881,589	$1,607,920

See accompanying notes to consolidated financial statements.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended July 31 2000	2001	2002
	(in thousands, except per share data)		
Revenues	$1,093,912	$1,230,950	$1,531,614
Costs and expenses:			
Direct cost of revenues (exclusive of items shown below)	918,257	1,066,845	1,205,003
Selling, general and administrative	343,702	337,107	370,577
Depreciation and amortization	48,564	60,351	66,016
Impairment charges	—	199,357	114,310
Total costs and expenses	1,310,523	1,663,660	1,755,906
Loss from operations	(216,611)	(432,710)	(224,292)
Interest income, net	7,231	52,768	21,757
Other income (expense):			
Equity in loss of affiliates	(6,289)	(75,066)	(43,989)
Gain on sales of subsidiary stock	350,344	1,037,726	—
Investment and other income (expense), net	258,218	164,762	(12,117)
Income (loss) before income taxes, minority interests, extraordinary item and cumulative effect of accounting change	392,893	747,480	(258,641)
Minority interests	(59,336)	5,726	22,070
Provision for (benefit from) income taxes	218,403	209,395	(124,345)
Income (loss) before extraordinary item and cumulative effect of accounting change	233,826	532,359	(156,366)
Extraordinary loss on retirement of debt, net of income taxes of $1,894	(2,976)	—	—
Cumulative effect of accounting change, net of income taxes of $3,525	—	—	(146,983)
Net income (loss)	$ 230,850	$ 532,359	$ (303,349)
Earnings per share:			
Income (loss) before extraordinary item and cumulative effect of accounting change:			
Basic	$ 3.34	$ 7.79	$ (2.08)
Diluted	$ 3.11	$ 7.12	$ (2.08)
Extraordinary loss on retirement of debt, net of income taxes:			
Basic	$ (0.04)	$ —	$ —
Diluted	$ (0.04)	$ —	$ —
Cumulative effect of accounting change, net of income taxes:			
Basic	$ —	$ —	$ (1.96)
Diluted	$ —	$ —	$ (1.96)
Net income (loss):			
Basic	$ 3.30	$ 7.79	$ (4.04)
Diluted	$ 3.07	$ 7.12	$ (4.04)
Weighted-average number of shares used in calculation of earnings per share:			
Basic	69,933	68,301	75,108
Diluted	75,239	74,786	75,108

See accompanying notes to consolidated financial statements.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

	Common Stock		Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at July 31, 1999	23,982,854	$240	10,029,758	$100	34,012,612	$340	$317,022	$ —	$ —	$(41,123)	$276,579
Exercise of stock options	1,310,700	13	—	—	1,310,700	13	14,508	—	—	—	14,534
Income tax benefit from stock options exercised	—	—	—	—	—	—	11,262	—	—	—	11,262
Conversion of Class A common stock to common stock	59,525	—	(59,525)	—	—	—	—	—	—	—	—
Exercise of warrants	19,963	—	—	—	19,963	—	117	—	—	—	117
Modification of stock options	—	—	—	—	—	—	985	—	—	—	985
Issuance of common stock and Class B common stock	3,728,949	37	—	—	3,728,949	37	128,574	—	—	—	128,648
Change in unrealized gain (loss) in available-for-sale securities	—	—	—	—	—	—	—	—	(94,044)	—	(94,044)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	1,391	—	1,391
Repurchase of common stock and Class B common stock	(3,142,735)	(30)	—	—	(3,142,735)	(31)	(101,822)	—	—	—	(101,883)
Net income for the year ended July 31, 2000	—	—	—	—	—	—	—	—	230,850	230,850	230,850
Comprehensive income									138,197		
Balance at July 31, 2000	25,959,256	260	9,970,233	100	35,929,489	359	370,646	—	(92,653)	189,727	468,439
Exercise of stock options	698,451	7	—	—	343,000	4	6,872	—	—	—	6,883
Income tax benefit from stock options exercised	—	—	—	—	—	—	2,676	—	—	—	2,676
Conversion of Class A common stock to common stock	153,245	2	(153,245)	(2)	—	—	—	—	—	—	—
Issuance of stock options	—	—	—	—	—	—	2,000	—	—	—	2,000
Modification of stock options	—	—	—	—	—	—	3,082	—	—	—	3,082
Issuance of Class B common stock	—	—	—	—	7,038,085	71	106,497	—	—	—	106,568
Change in unrealized gain (loss) in available-for-sale securities	—	—	—	—	—	—	—	—	89,148	—	89,148
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	930	—	930
Repurchase of common stock and Class B common stock	(4,019,163)	(41)	—	—	(4,019,163)	(41)	2,320	(138,087)	—	—	(135,849)
Net income for the year ended July 31, 2001	—	—	—	—	—	—	—	—	532,359	532,359	532,359
Comprehensive income									622,437		
Balance at July 31, 2001	22,791,789	228	9,816,988	98	39,291,411	393	494,093	(138,087)	(2,575)	722,086	1,076,236
Exercise of stock options	1,906,594	19	—	—	4,497,114	45	53,860	—	—	—	53,924
Income tax benefit from stock options exercised	—	—	—	—	—	—	21,601	—	—	—	21,601
Conversion of common stock to Class B common stock	(3,728,949)	(37)	—	—	3,810,265	38	(1)	—	—	—	—
Modification of stock options	—	—	—	—	—	—	1,894	—	—	—	1,894
Issuance of common stock for acquisitions	—	—	—	—	2,391,891	24	34,940	—	—	—	34,964
Change in unrealized gain (loss) in available-for-sale securities	—	—	—	—	—	—	—	—	(1,064)	—	(1,064)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	964	—	964
Repurchase of common stock	(1,400,800)	(14)	—	—	—	—	—	(15,626)	—	—	(15,640)
Net loss for the year ended July 31, 2002	—	—	—	—	—	—	—	—	(303,349)	(303,349)	(303,349)
Comprehensive loss									(303,449)		
Balance at July 31, 2002	19,568,634	$196	9,816,988	$ 98	49,990,681	$500	$606,387	$(153,713)	$(2,675)	$418,737	$869,530

See accompanying notes to consolidated financial statements.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended July 31		
	2000	2001	2002
		(in thousands)	
Operating activities			
Net income (loss)	$ 230,850	$ 532,359	$ (303,349)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	48,564	60,351	66,016
Impairment charges	—	199,357	114,310
Extraordinary loss on retirement of debt before income taxes	4,870	—	—
Cumulative effect of accounting change before income taxes	—	—	150,508
Minority interests	(59,336)	5,726	22,070
Price guarantee of Class B common stock	—	—	5,310
Deferred tax liabilities	216,903	204,188	(127,342)
Issuance of common stock to charitable foundation	—	26,378	—
Net realized (gains)/losses from sales of marketable securities and investments	(261,025)	148,724	6,807
Equity in loss of affiliates	6,289	75,066	43,989
Non-cash compensation	42,917	3,082	1,894
Gain on Tycom settlement	—	(313,486)	—
Gain on sales of subsidiary stock	(350,344)	(1,037,726)	—
Changes in assets and liabilities:			
Trade accounts receivable	(52,643)	36,029	29,151
Other assets	(28,194)	14,234	(4,364)
Trade accounts payable, accrued expenses and other liabilities	90,053	64,675	(23,238)
Deferred revenue	34,026	7,271	39,981
Net cash provided by (used in) operating activities	(77,070)	26,228	21,743
Investing activities			
Purchases of property, plant and equipment	(101,192)	(106,513)	(39,245)
Issuance of notes receivable	—	(12,089)	(8,543)
Investments and acquisitions, net of cash acquired	(38,803)	(73,722)	(81,398)
Collection of notes receivable	9,524	—	—
Sales of marketable securities	—	164,052	742,866
Purchases of marketable securities	(7,059)	—	(1,399,171)
Net proceeds from sale of equity interests in subsidiary	115,434	1,042,113	—
Net cash (used in) provided by investing activities	(22,096)	1,013,841	(785,491)
Financing activities			
Proceeds from exercise of stock options for Net2Phone	8,172	—	—
Distributions to minority shareholder of a subsidiary	(3,177)	(18,908)	(19,018)
Proceeds from borrowings	13,898	—	—
Proceeds from exercise of warrants	117	—	—
Proceeds from exercise of stock options	14,534	6,883	53,924
Repayment of capital lease obligations	(9,833)	(14,736)	(19,033)
Repayment of borrowings	(108,146)	(26,054)	(6,308)
Proceeds from issuance of common stock and Class B common stock	128,648	74,787	—
Proceeds from offerings of common stock by Net2Phone	261,189	—	—
Collection of loans to stockholders by Net2Phone	623	—	—
Proceeds from sale of subsidiary stock	5,000	—	30,000
Proceeds from issuance of stock options	—	2,000	—
Repurchases of common stock and Class B common stock	(101,883)	(135,849)	(15,640)
Net cash provided by (used in) financing activities	209,142	(111,877)	23,925
Net (decrease) increase in cash	109,976	928,192	(739,823)
Cash and cash equivalents at beginning of year	52,903	162,879	1,091,071
Cash and cash equivalents at end of year	$ 162,879	$ 1,091,071	$ 351,248
Supplemental disclosure of cash flow information			
Cash payments made for interest	$ 10,074	$ 7,997	$ 5,739
Cash payments made for income taxes	$ 1,050	$ 5,963	$ 12,176
Supplemental schedule of non-cash investing and financing activities			
Purchases of property, plant and equipment through capital lease obligations	$ 45,541	$ 27,010	$ 19,311
Exchange of Net2Phone common stock for shares of Yahoo! Inc.	$ —	$ 150,000	$ —
Issuance of Class B common stock for acquisitions	$ —	$ —	$ 34,964

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Description of Business

IDT Corporation ("IDT" or the "Company") is a facilities-based multinational communications company that provides services and products to retail and wholesale customers worldwide, including prepaid debit and rechargeable calling cards, consumer long distance services, and wholesale carrier services. The Company also operates several media and entertainment-related businesses, most of which are currently in the early stages of development.

Winstar Holdings ("Winstar"), a wholly owned subsidiary of IDT, is a broadband and telephony service provider to commercial and governmental customers. Through its fixed-wireless and fiber infrastructure, Winstar offers local and long distance phone services, and high speed Internet and data communications solutions.

On May 4, 2001, the Company declared a stock dividend of one share of Class B common stock for every one share of common stock, Class A common stock and Class B common stock. IDT distributed the dividend shares on May 31, 2001 to shareholders of record on May 14, 2001. The stock dividend has been accounted for as a stock split and all references to the number of common shares, per common share amounts and stock options have been restated to give retroactive effect to the stock dividend for all periods presented. The Class B common stock commenced trading on the New York Stock Exchange on June 1, 2001 under the ticker symbol "IDT. B".

Investment in Net2Phone

Until August 2000, the Company also provided Internet telephony services through its majority owned subsidiary Net2Phone, Inc. ("Net2Phone"). On August 11, 2000, the Company completed the sale of 14.9 million shares of its holdings of Net2Phone's Class A common stock, at a price of $75 per share, to ITelTech, LLC ("ITelTech"), a Delaware limited liability company controlled by AT&T Corporation ("AT&T"). In addition, ITelTech purchased four million newly-issued shares of Class A common stock from Net2Phone at a price of $75 per share. These transactions reduced the voting stake of IDT in Net2Phone from approximately 56% to 21% and its economic stake in Net2Phone from approximately 45% to 16%. In recognition of these transactions, the Company recorded a gain on sales of subsidiary stock of $1.038 billion during the year ended July 31, 2001, and deconsolidated Net2Phone effective August 11, 2000. Accordingly, the Company accounted for its investment in Net2Phone subsequent to the deconsolidation using the equity method of accounting.

On October 23, 2001, IDT, Liberty Media Corporation ("Liberty Media") and AT&T formed a limited liability company ("LLC"), which through a series of transactions among IDT, Liberty Media and AT&T now holds an aggregate of 28.9 million shares of Net2Phone's Class A common stock, representing approximately 46% of Net2Phone's outstanding capital stock. Because the LLC holds Class A common stock with two votes per share, the LLC has approximately 63% of the shareholder voting power in Net2Phone. IDT holds the controlling membership interest in the LLC and is the managing member of the LLC. Through July 31, 2002, the Company accounted for its investment in the LLC using the equity method since its control of the LLC was deemed to be temporary due to unilateral liquidation rights held by each of the LLC members. As of July 31, 2002, IDT's equity investment in Net2Phone was 19.2%.

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, *Accounting for the Impairment of Long Lived Assets to be Disposed Of*, and the accounting and reporting provisions of Accounting Principles Board ("APB") Opinion No. 30, *Reporting the Results of Operations for a Disposal of a Segment of a Business*. SFAS No. 144 also amends Accounting Research Bulletins ("ARB" 51), *Consolidated Financial Statements*, as amended by SFAS No. 94, *Consolidation of ALL Majority-Owned Subsidiaries*, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. IDT will adopt SFAS No. 144 as of August 1, 2002, and will thus no longer account for its investment in Net2Phone under the equity method of accounting. Therefore, effective August 1, 2002, Net2Phone will be reconsolidated. The consolidation will result in the inclusion of IDT's and Net2Phone's results of operations and financial position beginning August 1, 2002. This change in accounting will not change the net income or loss that would have been reported had the Company continued to account for its investment in Net2Phone under the equity method of accounting. Summarized financial information for Net2Phone as of and for the year ended July 31 is as follows:

	2001	2002
	(in thousands)	
Total current assets	$ 287,572	$ 114,138
Total assets	411,403	171,696
Working capital	218,100	60,321
Revenues	150,198	137,855
Loss from operations	(240,210)	(257,794)

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 that is not temporary ("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 and other than temporary controlling voting interest, are accounted for using the equity method of accounting. Investments in companies in which IDT does not have an other than temporary 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. Due to the adoption of SFAS No. 144, effective August 1, 2002, IDT will consolidate all companies in which it has a controlling voting interest, regardless of whether that control is temporary.

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 gain on sales of subsidiary stock.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Use of Estimates

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

Revenue Recognition

Communications services are recognized as revenue when services are provided. Revenue on sales of prepaid calling cards is deferred upon activation of the cards and recognized as the card balances are decremented based on minute usage and service charges. Unused balances are recognized as revenue upon expiration of the calling cards, which is generally the later of six months from the date of first use and twelve months from activation.

Revenues at our Winstar segment related to high-speed Internet and data services and local and long-distance voice services are recognized when services are provided.

Purchase of Network Capacity

Purchases of network capacity pursuant to Indefeasible Right of Use ("IRU") agreements are capitalized at cost and amortized over the term of the capacity agreement, which is generally 15 years. Historically, we have not been a provider of network capacity.

Direct Cost of Revenues

Direct cost of revenues consists primarily of termination costs, toll-free costs, and network costs—including customer/carrier interconnect charges and leased fiber circuit charges. Direct cost of revenues also includes connectivity costs for the Winstar's fixed-wireless network backbone and lease payments for Winstar's network of buildings. Direct cost of revenues excludes depreciation and amortization expense.

Property, Plant and Equipment

Equipment, buildings, and furniture and fixtures are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range as follows: equipment—5 to 7 years; buildings—40 years; and furniture and fixtures—5 to 7 years. Leasehold improvements are depreciated using the straight line method over the term of their lease or their estimated useful lives, whichever is shorter.

Advertising Expense

The majority of IDT's advertising expense relates to its consumer long distance business. Most of the advertisements are in print or television media, with expenses recorded as they are incurred. Some of the advertising for the consumer long distance business is also done on a cost-per-acquisition basis, where the Company pays the provider of advertising based on a fixed amount per each customer who becomes a subscriber of its services. In such cases, the expenses are recorded based on the number of customers who were added during the period in question.

For the years ended July 31, 2000, 2001 and 2002, advertising expense totaled approximately $46.7 million, $17.1 million and $16.0 million, respectively.

During the year ended July 31, 2000, the Company incurred approximately $28.0 million of costs to terminate advertising arrangements. These advertising termination costs are included in selling, general and administrative expenses in the accompanying consolidated statements of operations. No advertising termination costs were incurred for the years ended July 31, 2001 and 2002.

Software Development Costs

Costs for the internal development of new software products and substantial enhancements to existing software products to be sold are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. For the years ended July 31, 2000, 2001 and 2002, research and development costs totaled approximately $4.7 million, $2.5 million and $1.0 million, 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. For the years ended July 31, 2000, 2001 and 2002, the Company has capitalized $8.6 million, $2.5 million and $1.4 million, respectively, of internal use software costs as computer software.

Repairs and Maintenance

We charge the cost of repairs and maintenance, including the cost of replacing minor items not constituting substantial betterment, to selling, general and administrative expenses as these costs are incurred.

Long-Lived Assets

In accordance with SFAS No. 121, the Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The analysis of the recoverability utilizes undiscounted cash flows. The measurement of the loss, if any, will be calculated as the amount by which the carrying amount of the asset exceeds the fair value.

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, 2001 and 2002, the Company had 89% and 60%, respectively, of its cash and cash equivalents in three and two financial institutions, respectively.

Goodwill

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but are subject to impairment tests, performed at least annually, in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives.

Other Intangibles

Licenses are amortized over 5 years using the straight-line method. Costs associated with obtaining the right to use trademarks and patents owned by third parties are capitalized and amortized on a straight-line basis over the term of the trademark licenses and patents. Acquired core technology is amortized over 3 to 5 years. The Company systematically reviews the recoverability of its acquired licenses and other intangible assets to determine whether an impairment has occurred. Upon determination that the carrying value of acquired licenses and other intangible assets will not be recovered based on the undiscounted future cash flows of the acquired business, the carrying value of such acquired licenses and other intangible assets would be deemed impaired and would be reduced by a charge to operations in the amount that the carrying value exceeds the fair value.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries denominated in foreign currencies at July 31 are translated at year-end rates of exchange and monthly results of operations are translated at the average rates of exchange for that month. Gains or losses resulting from translating foreign currency financial statements are recorded as a separate component of accumulated other comprehensive loss in stockholders' equity.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependant upon the generation of future taxable income during the period in which related temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in this assessment. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Earnings Per Share

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

Vulnerability Due to Certain Concentrations

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents, marketable securities and trade accounts receivable. Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers in various geographic regions comprising the Company's customer base. No single customer accounted for more than 10% of consolidated revenues in Fiscal 2002. However, our 5 largest customers accounted for 15.2% of consolidated revenues in Fiscal 2002. This concentration of revenues increases our risk associated with nonpayment by these customers.

The Company is subject to risks associated with its international operations, including changes in exchange rates, difficulty in trade 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. At July 31, 2002, the carrying value of the Company's trade accounts receivable, other current assets, trade accounts payable, accrued expenses, deferred revenue, capital lease obligations and other current liabilities approximate fair value.

Stock Based Compensation

As permitted under SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), the Company applies APB No. 25 in accounting for its stock option plans and, accordingly, compensation cost is recognized for its stock options only if it relates to non-qualified stock options for which the exercise price was less than the fair market value of the Company's common stock or Class B common stock as of the date of grant. The compensation cost of these grants is amortized on a straight-line basis over their vesting periods. The Company follows the disclosure only provisions of SFAS 123 and provides pro forma disclosures of net income (loss) and net income (loss) per share as if the fair value-based method of accounting for stock options, as defined in SFAS 123, had been applied.

Recently Issued Accounting Standards

In June 2001, the FASB issued SFAS No. 143, *Accounting for Retirement Obligations* ("SFAS 143"). SFAS 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. The Company is required to adopt SFAS 143 on August 1, 2002 and expects that the provisions will not have a material impact on its consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections* ("SFAS 145"). SFAS 145 updates, clarifies and simplifies existing accounting pronouncements. SFAS 145 rescinds Statement No. 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30, *Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, will now be used to classify those gains and losses because Statement No. 4 has been rescinded. Statement No. 44 was issued to establish accounting requirements for the effects of transition to provisions of the Motor Carrier Act of 1980. Because the transition has been completed, Statement No. 44 is no longer necessary.

SFAS 145 amends Statement No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. This amendment is consistent with the FASB's goal of requiring similar accounting treatment for transactions that have similar economic effects. SFAS 145 also makes technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice. IDT is required to adopt SFAS 145, effective for Fiscal 2003. Upon adoption, any gain or loss on extinguishment of debt previously classified as an extraordinary item in prior periods presented that does not meet the criteria of APB Opinion No. 30, will be reclassified to conform with the provisions of SFAS 145. The Company does not expect the adoption of SFAS 145 will have a material impact on its consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 requires Companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Previous accounting guidance was provided by Emerging Issues Task Force ("EITF") Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* (EITF 94-3). SFAS 146 replaces EITF 94-3. The Statement is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company does not expect the adoption of SFAS 146 will have a material impact on its consolidated financial statements.

2. Marketable Securities

The Company classifies all of its marketable securities as "available-for-sale securities." Such marketable securities consist primarily U.S. Government Agency Obligations, which are stated at market value, with unrealized gains and losses in such securities reflected, net of tax, as "other comprehensive income (loss)" in stockholders' equity. The Company intends to maintain a liquid portfolio to take advantage of investment opportunities; therefore, all marketable securities are classified as "short-term." The following is a summary of marketable securities as of July 31, 2002:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term				
Available-for-sale securities:				
U.S. Government Agency Obligations	$628,635	$3,490	$ —	$632,125
Other marketable securities	32,269	—	(5,663)	26,606
	$660,904	$3,490	$(5,663)	$658,731

The following is a summary of marketable securities as of July 31, 2001:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Short-term				
Available-for-sale securities:				
U.S. Government Agency Obligations	$1,150	$—	$ (33)	$1,117
Other marketable securities	6,318	—	(3,946)	2,372
	$7,468	$—	$(3,979)	$3,489

Sales and realized (gains) losses from the sale of available-for-sale securities for the years ended July 31, 2000, 2001 and 2002 amounted to approximately $104.2 million and $(28.3) million, $162.0 million and $126.0 million, and $742.9 million and $(1.5) million, respectively. The Company uses the specific identification method in computing the gross realized gains and gross realized losses on the sales of marketable securities.

During Fiscal 2000, IDT sold approximately $55.0 million of held-to-maturity securities prior to their maturity dates and recorded a loss of approximately $1.2 million. The securities were sold to fund certain transactions. In connection with these sales, marketable securities with a cost basis of approximately $22.0 million were reclassified as available-for-sale and through July 31, 2000, unrealized losses of approximately $0.8 million were included in accumulated other comprehensive loss.

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 would 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 3.75 million shares of Terra common stock. In connection with these sales, the Company recognized a pre-tax gain of $231.0 million for the year ended July 31, 2000. During the years ended July 31, 2000 and 2001, the Company sold a total of 3.745 million of its Terra shares and recognized therewith a gain of $24.9 million and a loss of $129.2 million, respectively, which have been included as a component of "investment and other income (expense)."

3. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	July 31	
	2001	2002
	(in thousands)	
Equipment	$264,422	$ 343,874
Computer software	10,192	11,468
Leasehold improvements	21,603	27,453
Furniture and fixtures	11,120	12,242
Land and building	8,937	8,934
	316,274	403,971
Less accumulated depreciation and amortization	(92,232)	(153,340)
Property, plant and equipment, net	$224,042	$ 250,631

Fixed assets under capital leases aggregated $104.2 million and $118.3 million at July 31, 2001 and 2002, respectively. The accumulated amortization related to these assets under capital leases was $35.4 million and $50.2 million at July 31, 2001 and 2002, respectively. Amortization of fixed assets under capital leases is included in depreciation and amortization expense in the accompanying consolidated statements of operations.

During the year ended July 31, 2002, the Company recorded an impairment charge associated with its property, plant and equipment of $3.9 million, primarily resulting from the write-down of certain decommissioned European telecommunications switch equipment and certain discontinued wireless-related equipment.

As a result of the Company's gradual exit from the dial-up Internet access service business, including the sale of a majority of its dial-up Internet access customers, the Company recorded an impairment charge associated with its property, plant and equipment of $ 6.0 million during the year ended July 31, 2001, primarily relating to equipment previously used to provide dial-up Internet access services.

4. Goodwill, Licenses and Other Intangibles

In June 2001, the FASB issued SFAS No. 142. Under the new rules, goodwill and intangible assets deemed to have indefinite lives would no longer be amortized but rather be subject to impairment tests performed at least annually, in accordance with the Statement. Other intangible assets would continue to be amortized over their useful lives.

The Company chose to early adopt the new rules on accounting for goodwill and other intangible assets and began to apply them beginning in the first quarter of Fiscal 2002. As such, the Company performed the required impairment tests of goodwill as of August 1, 2001, and, as a result, the Company recorded an impairment charge of $147.0 million, net of income taxes of $3.5 million. The impairment charge was recorded in the first quarter of Fiscal 2002 as a cumulative effect of a change in accounting principle. In determining the impairment charge, the Company obtained an independent valuation of the underlying assets in which discounted cash flows analyses were utilized. As a result, it was determined that the fair value of certain reporting units were less than their carrying values. The implied fair value of goodwill was then determined to be below its carrying value. As a result, the Company recorded an impairment charge to reduce the fair value of goodwill attributable to these reporting units to its carrying value.

During the year ended July 31, 2002, the Company recorded goodwill of $4.9 million as a result of acquisitions, primarily in the Company's Media business segment. The table below reconciles the change in the carrying amount of goodwill by operating segment for the period from July 31, 2001 to July 31, 2002:

	Wholesale Telecommunications Services	Retail Telecommunications Services	Winstar	Internet Telephony	Media	Corporate	Total
			(in thousands)				
Balance as of July 31, 2001	$ 44,148	$ 104,211	$—	$—	$29,934	$—	$178,293
Effect of adoption of SFAS No. 142	(44,148)	(103,635)	—	—	(2,725)	—	(150,508)
Acquisitions during 2002 . . .	—	446	—	—	4,471	—	4,917
Balance as of July 31, 2002	$ —	$ 1,022	$—	$—	$31,680	$—	$ 32,702

The following table presents the impact of SFAS No. 142 on income (loss) before extraordinary item and cumulative effect of accounting change, net income (loss) and earnings per share had the standard been in effect for the years ended July 31, 2000 and 2001:

	Year Ended July 31, 2000	2001	2002
	(in thousands, except per share data)		
Income (loss) before extraordinary item and cumulative effect of accounting change	$233,826	$532,359	$(156,366)
Add back: goodwill amortization	14,926	16,313	—
Adjusted income (loss) before extraordinary item and cumulative effect of accounting change	$248,752	$548,672	$(156,366)
Earnings per share—basic	$ 3.34	$ 7.79	$ (2.08)
Add back: goodwill amortization	0.21	0.24	—
Adjusted earnings per share—basic	$ 3.55	$ 8.03	$ (2.08)
Earnings per share—diluted	$ 3.11	$ 7.12	$ (2.08)
Add back: goodwill amortization	0.20	0.22	—
Adjusted earnings per share—diluted	$ 3.31	$ 7.34	$ (2.08)
Net income (loss)	$230,850	$532,359	$(303,349)
Add back: goodwill amortization	14,926	16,313	—
Adjusted net income (loss)	$245,776	$548,672	$(303,349)
Earnings per share—basic	$ 3.30	$ 7.79	$ (4.04)
Add back: goodwill amortization	0.21	0.24	—
Adjusted earnings per share—basic	$ 3.51	$ 8.03	$ (4.04)
Earnings per share—diluted	$ 3.07	$ 7.12	$ (4.04)
Add back: goodwill amortization	0.20	0.22	—
Adjusted earnings per share—diluted	$ 3.27	$ 7.34	$ (4.04)

The following disclosure presents certain information on the Company's licenses and other intangible assets. All licenses and intangible assets are being amortized over their estimated useful lives, with no estimated residual values.

	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Balance
		(in thousands)		
As of July 31, 2002				
Amortized intangible assets:				
Licenses	*5 years*	$23,994	$ (3,175)	$20,819
Core technology, trademark and patents	*5 years*	5,295	(611)	4,684
Total		$29,289	$ (3,786)	$25,503
As of July 31, 2001				
Amortized intangible assets:				
Licenses	*5 years*	$42,523	$(23,038)	$19,485
Core technology, trademark and patents	*5 years*	2,817	(2,791)	26
Total		$45,340	$(25,829)	$19,511

Licenses and other intangible assets amortization expense was $0.9 million, $4.9 million and $3.8 million for the years ended July 31, 2000, 2001 and 2002, respectively. The Company estimates that amortization expense of licenses and other intangible assets for each of the next five fiscal years ending July 31 will be approximately $5.1 million.

5. Related Party Transactions

The Company has entered into a number of agreements with Net2Phone. Pursuant to these agreements, during the years ended July 31, 2001 and 2002, the Company billed Net2Phone approximately $56.8 million and $31.6 million, respectively, and Net2Phone billed the Company approximately $19.2 million and $16.1 million, respectively. In the year ended July 31, 2000, Net2Phone was included in the Company's consolidated financial statements and any amounts billed were eliminated in consolidation. The net balance owed to the Company by Net2Phone was approximately $19.3 million and $0.8 million as of July 31, 2001 and 2002, respectively.

The Company currently leases one of its facilities in Hackensack, New Jersey from a corporation which is wholly owned by the Company's Chairman. Aggregate lease payments under such lease was approximately $24,000 for the years ended July 31, 2000, 2001 and 2002. The Company made payments for food related expenses to a cafeteria owned and operated by the son of the Company's chairman. Such payments were $0.1 million and $0.6 million in fiscal years 2001 and 2002, respectively. No payments were made to the cafeteria in fiscal 2000.

The Company has obtained various insurance policies that have been arranged through a company affiliated with individuals related to both the Chairman and the General Counsel of the Company. The aggregate premiums paid by the Company with respect to such policies was approximately $0.1 million, $2.2 million and $3.6 million for the years ended July 31, 2000, 2001 and 2002, respectively. IDT retained the services of a private insurance consulting firm to ensure that these insurance policies were both necessary and reasonable. The commissions that were earned on such premiums are shared with several insurance wholesalers that access excess and surplus lines of insurance held by the Company.

On December 13, 2001, IDT granted to its Chairman options to purchase 1 million shares of IDT Class B common stock, at an exercise price of $12.06 per share. The options were to vest over a period of 5 years, at a rate of 50,000 options per quarter, commencing on January 1, 2002. On May 14, 2002, IDT's Chairman waived and agreed to the cancellation of any rights under the options, and, as a result, all the options were cancelled retroactive to their December 13, 2001 date of grant.

The Chief Executive Officer and Vice-Chairman of the Company is a partner in a law firm that has served as counsel to the Company since July 1996. Fees paid to this law firm by the Company amounted to $0.3 million, $0.0 million and $0.5 million for fiscal years ended July 31, 2000, 2001 and 2002 respectively. In addition, a Director of the Company is of counsel to a law firm that has served as counsel to the Company since November 1999. Fees paid to this law firm by the Company amounted to $1.0 million, $3.1 million and $6.3 million for fiscal years ended July 31, 2000, 2001 and 2002, respectively.

In addition, the Company had loans outstanding to officers and employees aggregating approximately $7.7 million and $10.3 million as of July 31, 2001 and 2002, respectively, which are included within "other assets" in the accompanying consolidated balance sheets.

All of the Company's related party transactions are reviewed by the Audit Committee of the Company's Board of Directors.

6. Income Taxes

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

	July 31	
	2001	2002
	(in thousands)	
Deferred tax assets:		
Unrealized losses on securities	$ 857	$ —
Bad debt reserve	3,980	10,179
Exercise of stock options	9,857	9,857
Reserves	4,500	4,500
Charitable contributions	10,765	10,795
Net operating loss	—	170,404
Other	8,992	9,899
Deferred tax assets	38,951	215,634
Deferred tax liabilities:		
Deferred revenue	(196,000)	—
Partnership	—	(278,000)
Unrecognized gain on securities	(100,313)	(28,709)
Gain on sales of subsidiary stock	(105,466)	(120,574)
Depreciation	(16,074)	(14,801)
Identifiable intangibles	(3,583)	(7,083)
Other	(8,429)	(8,440)
Deferred tax liabilities	(429,865)	(457,607)
Net deferred tax liabilities	$(390,914)	$(241,973)

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

	2000	2001	2002
		(in thousands)	
Current:			
Federal	$ —	$ 6,600	$ —
State and local and foreign	(394)	14,249	(30,683)
	(394)	20,849	(30,683)
Deferred:			
Federal	175,191	150,997	(72,788)
State and local and foreign	41,712	37,549	(17,349)
	216,903	188,546	(90,137)
	$216,509	$209,395	$(120,820)

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

	2000	2001	2002
		(in thousands)	
Provision for (benefit from) income taxes attributable to continuing operations	$218,403	$209,395	$(124,345)
Income tax benefit attributable to extraordinary loss	(1,894)	—	—
Income tax benefit attributable to cumulative effect of accounting change	—	—	3,525
	$216,509	$209,395	$(120,820)

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

	2000	2001	2002
		(in thousands)	
Federal income tax at statutory rate	$137,513	$261,618	$(149,693)
Foreign tax rate differential	—	(99,563)	(53,806)
Losses for which no benefit provided	32,703	19,141	87,602
Nondeductible expenses	17,625	2,162	52,921
State and local and foreign income tax, net of federal benefit	28,612	26,037	(57,844)
Other	56	—	—
	$216,509	$209,395	$(120,820)

7. Stockholders' Equity

Common Stock, Class A Common Stock, and Class B Common Stock

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

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 this informal program, options to purchase 4,317,540 shares of common stock were granted.

The Company adopted a stock option plan as amended (the "Option Plan") for officers, employees and non-employee directors to purchase up to 6,300,000 shares of the Company's common stock. In May 2000, the Board of Directors of the Company approved an amendment to the Option Plan to reserve for issuance 300,000 shares of Class B common stock. In September 2000, the Board of Directors of the Company approved an amendment to the Option Plan to reserve for issuance of an additional 3,000,000 shares of Class B common stock. On May 31, 2002, the Company distributed a stock dividend of one share of Class B common stock for each share of the Company's common stock, Class A common stock and Class B common stock. Accordingly, pursuant to the terms of the Option Plan, up to an additional 9,600,000 shares of Class B common stock were reserved for issuance under the Option Plan. In October 2001, the Board of Directors of the Company approved an amendment to the Option Plan to reserve for issuance an additional 3,000,000 shares of Class B common stock. In September 2002, the Board of Directors of the Company approved an amendment to the Option Plan to reserve for issuance of an additional 3,000,000 shares of Class B common stock. Generally, options become exercisable over vesting periods up to six years and expire ten years from the date of grant.

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

	Shares	Weighted-Average Exercise Price
Outstanding at July 31, 1999	7,175,932	$ 5.25
Granted	8,851,086	9.98
Exercised	(2,621,400)	5.54
Canceled	(95,000)	8.86
Forfeited	(31,500)	10.93
Outstanding at July 31, 2000	13,279,118	8.31
Granted	5,112,004	9.15
Exercised	(1,041,451)	6.61
Canceled	(299,247)	5.71
Forfeited	(55,200)	12.63
Outstanding at July 31, 2001	16,995,224	8.70
Granted	4,599,982	12.11
Exercised	(6,403,708)	8.42
Canceled	(1,012,376)	11.96
Forfeited	(19,900)	11.99
Outstanding at July 31, 2002	14,159,222	$ 9.69

The following table summarizes the status of stock options outstanding and exercisable at July 31, 2002:

	Stock Options Outstanding		
Range of Exercise Prices	Number of Options	Weighted-Average Remaining Contractual Life (in years)	Number of Stock Options Exercisable
$0.10 – $0.10	290,296	2.0	290,296
$0.21 – $0.21	17,632	2.7	17,632
$0.41 – $0.41	36,000	2.0	36,000
$0.83 – $0.83	30,000	2.7	30,000
$2.19 – $2.63	639,500	4.7	639,500
$3.44 – $4.13	489,550	4.7	489,550
$5.63 – $8.00	5,649,968	8.0	2,016,499
$8.72 – $12.13	5,144,618	7.7	2,657,050
$13.13 – $18.51	1,861,658	8.4	1,070,358
	14,159,222	7.5	7,246,885

The weighted-average fair value of options granted was $7.42, $7.05 and $9.34 for the years ended July 31, 2000, 2001 and 2002, respectively.

Pro forma information regarding net income (loss) and net income (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:

	2000	2001	2002
Assumptions			
Average risk-free interest rate	6.49%	4.77%	4.22%
Dividend yield	—	—	—
Volatility factor of the expected market price of the Company's common stock	81%	90%	73%
Average life	5 years	5 years	5 years

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 employees' stock options.

For purposes of pro forma disclosures, the estimated fair value of the options under SFAS No. 123 is amortized to expense over the options' vesting period. For the years ended July 31, 2000, 2001 and 2002, pro forma net income (loss) and pro forma net income (loss) per share under SFAS No. 123 amounted to the following:

	2000	2001	2002
	(in thousands, except per share data)		
Net income (loss), as reported	$230,850	$532,359	$(303,349)
Pro forma net income (loss)	$214,286	$514,716	$(328,611)
Net income (loss) per share, as reported:			
Basic	$ 3.30	$ 7.79	$ (4.04)
Diluted	$ 3.07	$ 7.12	$ (4.04)
Pro forma net income (loss) per share:			
Basic	$ 3.06	$ 7.54	$ (4.38)
Diluted	$ 2.84	$ 6.88	$ (4.38)

The Company has modified stock options granted for certain employees of the Company to accelerate or extend their terms. Accordingly, the Company recorded additional compensation expense of approximately $1.0 million, $3.1 million and $1.9 million for the years ended July 31, 2000, 2001 and 2002, respectively. During Fiscal 2002, the Company granted options to certain employees to purchase 14,546 shares of common stock in its subsidiary, IDT Telecom, at an average exercise price of $366.67 per share. No such options were exercised during the year.

Net2Phone Stock Options

During the quarter ended July 31, 2000, stock options issued to certain officers and employees of Net2Phone were accelerated in accordance with the original stock option awards and as a result Net2Phone recorded $12.5 million in compensation charges as a result of the acceleration. During the quarter ended July 31, 2000, stock options issued to certain officers and employees of IDT were modified and as a result, Net2Phone recorded $18.3 million in compensation charges.

Stock Buyback Program

Our Board of Directors has authorized the repurchase of up to 45 million shares (adjusted for the May 2001 stock dividend) of our common stock and Class B common stock. During Fiscal 2002, we repurchased approximately 1.4 million shares of our common stock, for an aggregate purchase price of $15.6 million. Combined with the 6.8 million (adjusted) shares and 7.4 million (adjusted) shares repurchased during Fiscal 2001 and Fiscal 2000, respectively, we have repurchased a total of 15.6 million shares under the share repurchase program through the end of Fiscal 2002, of which 6.2 million shares were retired as of July 31, 2002.

Liberty Media Transaction

On March 27, 2000, Liberty Media agreed to purchase approximately 9.9% of the equity of IDT, equal to approximately 3.775 million shares of IDT's common stock and exchangeable for shares of Class B common stock (before adjusting for the May 2001 stock dividend). On June 6, 2000, Liberty Media completed the purchase of 3.729 million shares of IDT's common stock (before adjusting for the May 2001 stock dividend) at $34.50 per share (before adjusting for the May 2001 stock dividend), resulting in aggregate cash consideration of $128.6 million. Liberty Media also has the right to nominate a director for election to the IDT Board of Directors.

On October 11, 2001 IDT issued to Liberty Media 3.810 million shares of IDT Class B common stock in exchange for the 3.729 million shares of IDT common stock held by Liberty Media. The exchange rate was based upon the relative average market prices for the IDT Class B common stock and the IDT common stock during a specified 30 trading day period.

Liberty Media Investment in IDT Telecom, Inc.

On January 30, 2002, IDT Telecom sold 7,500 newly issued shares of its common stock to Liberty Media at a price of $4,000 per share, for total aggregate proceeds of $30.0 million. As a result of this investment, Liberty Media became the owner of approximately 4.8% of the common equity of IDT Telecom (0.5% of the voting power). The Company owns the remaining common equity of IDT Telecom.

AT&T Transaction

In March 2000, the Company was granted the option to sell to AT&T 4.1 million shares of its Class B common stock for approximately $74.8 million. In March 2001, the Company exercised this option.

Hicks, Muse, Tate & Furst Transaction

In June 2001, the Company issued stock options to Hicks, Muse, Tate & Furst Incorporated ("HMTF") to purchase up to 2.2 million shares of the Company's Class B common stock at exercise prices ranging from $11.25 to $15.00 per share, as defined. The stock options are exercisable on the first anniversary of the agreement, and expire on the fifth anniversary date. In consideration for the stock options issued to HMTF, the Company received $2.0 million in cash.

IDT Charitable Foundation

In May 2001, the Company established the IDT Charitable Foundation (the "Foundation") with the purpose of obtaining money or property to be contributed from time to time to eligible charitable organizations. The Foundation also administers a matching gifts program available to IDT's directors, officers, employees and retirees.

In July 2001, the Company funded the Foundation with 2.2 million shares of Class B common stock worth approximately $26.4 million at that time.

8. Commitments and Contingencies

Legal Proceedings

On January 29, 2001, the Company filed a Complaint with the United States District Court for the District of New Jersey, against Telefonica S.A., Terra Networks, S.A., Terra Networks, U.S.A., Inc. and Lycos, Inc. The complaint asserts claims against the defendants for, among other things, breaches of various contracts, breach of fiduciary duty, securities violations, fraudulent misrepresentation, negligent misrepresentation, fraudulent concealment and tortious interference with prospective economic advantage. The defendants have been served with the Complaint. The Company has filed an Amended complaint and the defendants have filed an answer to the amended complaint. Terra Networks, S.A. has filed a counterclaim for breach of contract alleging that the Company was required to pay to Terra Networks, S.A. $3.0 million, and failed to do so. The defendants have filed a motion to dismiss the complaint. On September 14, 2001, the Court issued an Order: (a) permitting the Company to take discovery relevant to the subject of whether Telefonica S.A. is subject to personal jurisdiction, (b) denying Telefonica S.A.'s motion to dismiss for lack of personal jurisdiction without prejudice to Telefonica S.A.'s right to renew the motion upon the completion of jurisdictional discovery, and (c) carrying on the calendar defendants' motion to dismiss on non-jurisdictional grounds pending the completion of jurisdictional discovery, which is ongoing. Each party served the other party with certain requests for discovery relevant to the subject of whether Telefonica S.A. is subject to personal jurisdiction. The motions were denied almost in their entirety. The case continues in the early stages of discovery. No trial date has yet been set in this matter.

On May 25, 2001, we filed a statement of claim with the American Arbitration Association naming Telefonica Internacional, S.A. ("Telefonica") as the Respondent. The statement of claim asserts that the Company and Telefonica entered into a Memorandum of Understanding ("MOU") that involved, among other things, the construction and operation of a submarine cable network around South America ("SAm-I"). The Company is claiming, among other things, that Telefonica breached the MOU by: (1) failing to negotiate SAm-I agreements; (2) refusing to comply with the equity provisions of the MOU; (3) refusing to sell capacity and back-haul capacity pursuant to the MOU; and (4) failing to follow through on the joint venture. Telefonica has responded to IDT's Statement of Claim and has filed a Statement of Counterclaim which alleges, among other things: (1) Fraud in the Inducement; (2) Tortious Interference with Prospective Business Relations; (3) Breach of the Obligations of Good Faith and Fair Dealing; and (4) Declaratory and Injunctive Relief. Discovery is in its final stages and both parties have submitted expert reports. The arbitration is ongoing and is expected to continue into 2003.

In September 2001, Alfred West filed a complaint against the Company and its wholly-owned subsidiary, IDT Telecom, Inc. in the Federal District Court in Newark, New Jersey seeking monetary damages of $25 million for alleged breach of contract, breach of implied covenant of good faith and fair dealing, fraud, negligent misrepresentation, promissory estoppel, quantum meruit, tortious interference and unfair competition. The Company filed counterclaims for fraud, negligent misrepresentation, breach of fiduciary duty, tortious interference and breach of contract. Several depositions have been completed, and discovery should be completed by the end of October 2002.

Winstar acquired certain domestic telecommunications assets formerly owned by Old Winstar, which was approved by the Bankruptcy Court on December 19, 2001 (the "Sale Order"). Although many of the purchased assets were transferred to Winstar at the time of the sale, the transfer of certain of Old Winstar's regulated telecommunications assets, including its customer base, was subject to a number of federal and state regulatory approvals and on Winstar's obtaining the necessary telecommunications facilities and services necessary to serve the customers it agreed to purchase from Old Winstar. Subsequently, Winstar has entered into interconnection agreements with the relevant RBOCs and has sought to use services and facilities obtained pursuant to those agreements and pursuant to RBOC tariffs to complete its network and therefore to be able to transition the customers from service by Old Winstar to Winstar.

Although all of the regulatory approvals necessary for this transition have now been issued, the RBOCs have asserted that Winstar is nevertheless not entitled to obtain uninterrupted services under their interconnection agreements and tariffs unless the RBOCs receive payment of approximately $40 million, in the aggregate, allegedly owed by Old Winstar for access to RBOC facilities and circuits. Based on the claim that Winstar must pay this "cure" amount as a condition of receiving uninterrupted service, the RBOCs have refused in certain instances to provide facilities and service to Winstar that it needs in order to serve its customers directly. As a result, Winstar is operating the business of Old Winstar pursuant to a management agreement approved by the bankruptcy court, and is providing services to the customers on behalf of Old Winstar.

Winstar contends that, even were it to assume the Old Winstar contracts with the RBOCs, the amounts set forth in the RBOC's proofs of claim greatly exceed any reasonable "cure" for facilities and services that Winstar seeks to obtain from the RBOCs, since the claims include significant amounts that Old Winstar owed for services and facilities that IDT Winstar has not requested, and does not need to be able to provide services to the customers following the transition. Winstar also disputes the RBOC's claims that they are not obligated to provide services and facilities to Winstar without an assumption or assignment of the Old Winstar contracts and a payment of "cure" amounts. In response to the RBOC's refusal to provide service, on April 17, 2000 Winstar filed an Emergency Petition for a Declaratory Ruling at the FCC (Inc. Docket No. 02-80) asking that the FCC declare that the refusal of the RBOCs to provide the requested services and facilities pursuant to their interconnection agreements and tariffs, and their refusal to transition such services in a manner that does not interrupt services to the customers is unreasonable and therefore unlawful under federal law. In response, one RBOC (Verizon) filed a counter-petition asking that the FCC declare that the federal telecommunications laws do not require it to provide facilities and services to Winstar without "cure" of Old Winstar's debts. A number of parties filed comments in the FCC proceeding on both sides of the issue and the proceeding is still pending at the FCC. Winstar believes that the RBOCs have acted unreasonably and unlawfully in denying its requests for services and facilities and will continue absent a settlement with the RBOCs to advocate its position vigorously.

In addition, faced with likely termination of service to Old Winstar customers in violation of the Telecommunications Act and number our FCC regulations, we sought injunctive relief (in addition to other remedies) in the U.S. District Court for the District of New Jersey against Verizon, Qwest Corp. and Qwest Communications Corp. ("QCC") to prevent them from discontinuing underlying services which would prevent us from providing service to our customers. Certain interim relief was secured, and Verizon, Qwest and QCC subsequently agreed not to terminate service without appropriate notice to us. The District of New Jersey action is ongoing.

The RBOCs further contend that the provision in the Sale Order requiring them to continue serving Old Winstar and its subsidiaries expired on or about April 18, 2002. Winstar promptly moved to enforce that provision of the Sale Order, but the bankruptcy court denied its motion. Winstar has appealed the denial of that motion to the U.S. District Court for the District of Delaware. In addition, Winstar asked the District Court for interim relief during the pendency of its appeal to stay the RBOCs and other service providers from cutting off service until the appeal is decided. The District Court has not yet ruled on that request, but has temporarily ordered that service providers, including the RBOCs, may not terminate service or otherwise affect Winstar's business without permission of the Court.

During preliminary status hearings before the District Court on May 24 and June 4, 2002, the RBOCs and Winstar advised the Court of their willingness to enter into settlement discussions and/or non-binding mediation in an attempt to resolve their disputes. Those settlement discussions and mediations are ongoing, and the District Court appeal is therefore still pending. It is too soon to predict whether settlements will be reached with any or all of the RBOCs or, if so, to quantify the monetary effect of such settlements, if any, on Winstar. To the extent that a settlement agreement is not reached with any or all of the RBOCs, we expect that the appellate proceedings will resume. One possible outcome of an adverse ruling by the District Court on either the interim relief requested by Winstar or on the merits of the case could be to permit the RBOCs to terminate services that are being provided to our customers and therefore to prevent the uninterrupted transition of those customers to Winstar service. A status conference is scheduled for November 8, 2002, for the parties to report on the progress of their efforts to mediate the disputes.

Winstar believes that the RBOCs have acted unreasonably and unlawfully in denying its request for services and facilities and will continue absent a settlement to advocate its positions vigorously. However, adverse results in one or more of the above-described RBOC litigations could have a material adverse effect on us, including payment of the "core" amount described above, or the inability of Winstar to access the RBOCs services and facilities, in which its business is substantially dependent.

On or about July 25, 2002, PT-1 Communications, Inc. ("PT-1") filed a summons and complaint against the Company and its subsidiaries, IDT Netherlands, B.V., IDT Telecom, Inc. and IDT Domestic Telecom, Inc. (collectively "the Company") in the United States Bankruptcy Court for the Eastern District of New York. PT-1 seeks (a) to recover damages for certain fraudulent transfers of property of the Debtor's bankruptcy estate, (b) to recover damages for unjust enrichment, and (c) to recover damages from breaches under the agreement between the parties for the sale of the Debtor's debit card business to the Company, including the Company's alleged failure to remit payment for use of certain telecommunication and platform services on or through PT-1 switches. In total, PT-1 is seeking $24 million in damages as well as certain unstated amounts. The Company served its answer on September 18, 2002. Initial discovery will commence shortly.

On or about September 16, 2002, a complaint was filed by Mark B. Aronson in the Court of Common Pleas of Allegheny County, Pennsylvania seeking certification of a class consisting of consumers who were charged a fee when the Company switched underlying carriers from Global Crossing to AT&T. At this point no specific damages have been specified in the complaint. Thus, the Company cannot yet quantify its exposure.

On or about September 19, 2002, a complaint was filed by Ramon Ruiz against the Company and Union Telecard Alliance, LLC in the Supreme Court of the State of New York seeking certification of a class consisting of consumers who allegedly purchased and used the Company's pre-paid calling cards and were charged any fee that was not specifically disclosed on the card packaging prior to purchase. The complaint seeks damages in excess of one hundred million dollars.

On or about October 11, 2002, a complaint was filed by Paul Zedeck against us and Union Telecard in the Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida, seeking certification of a class consisting of consumers who allegedly purchased and used our prepaid calling cards and were charged any fee that was not specifically disclosed on the card packaging prior to purchase. The damages sought have not yet been quantified. Because we only recently received the complaint, we are still evaluating the potential impact and our approach to contesting the claims or attempts to certify the classes.

On or about October 18, 2002, a complaint was filed by Morris Amsel against us and IDT Telecom in the Supreme Court of the State of New York seeking certification of a class consisting of consumers who allegedly purchased our calling cards. Plaintiff's complaint relates to payphone charges and international rates. The complaint seeks damages of not less that $100 million. Because we only recently received the complaint, we are still evaluating the potential impact and our approach to contesting the claims or attempts to certify the classes.

On or about October 24, 2002, Winstar filed suit against Superior Logistics Management Services, Inc. ("Superior") in the United States District Court for the Eastern District of Virginia. The complaint alleges counts for breach of contract (Superior breached a settlement agreement with Winstar), conversion (for retaining Winstar's property), and detinue (for return of the property). Winstar is seeking approximately $50 million in damages, plus punitive damages, costs, and attorney's fees.

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, cash flows or the financial condition of the Company.

Lease Obligations

The future minimum payments for capital and operating leases as of July 31, 2002 are approximately as follows:

	Operating Leases	Capital Leases
	(in thousands)	
Year ending July 31:		
2003	$ 69,420	$ 27,110
2004	52,174	23,482
2005	43,961	13,747
2006	39,340	10,808
2007	37,003	1,317
Thereafter	150,991	—
Total payments	$392,889	76,464
Less amount representing interest		(8,106)
Less current portion		(22,960)
Capital lease obligations—long-term portion		$ 45,398

Rental expense under operating leases was approximately $6.9 million, $4.9 million and $27.3 million for the years ended July 31, 2000, 2001 and 2002, respectively. The significant increase in rental expense in Fiscal 2002 is due primarily to the significantly higher number of operating leases associated with our Winstar segment, which was acquired in December 2001.

Commitments

The Company has entered into purchase commitments of approximately $25 million as of July 31, 2002, primarily related to connectivity agreements. In addition, in April 2002, the Company entered into a four-year agreement to grant a telecommunications provider an exclusive right to service the Company's consumer long distance business traffic, in which the Company agreed to purchase a minimum usage over the term of the agreement. In the event that the Company terminates the agreement before the expiration date, the Company is subject to an early termination penalty of $15 million if cancelled in the first year, $10 million if canceled in the second year, $5 million if cancelled in the third year and $2 million if cancelled in the fourth year.

The Company guarantees payments of certain of its vendors through August 2009. Such guarantees amounted to $3.4 million as of July 31, 2002. In addition, the Company also provides certain such guarantees to its vendors in the form of letters of credit, through June 2008. Such guarantees amounted to $8.6 million as of July 31, 2002.

9. Defined Contribution Plan

The Company maintains a 401(k) Plan (the "Plan") available to all employees meeting certain eligibility criteria. The Plan permits participants to contribute up to 20% of their salary, not to exceed the limits established by the Internal Revenue Code. The Plan provides for a matching contribution up to a maximum of 6% of covered compensation, which vests over five years. All contributions made by participants vest immediately into the participant's account. For the years ended July 31, 2000, 2001 and 2002, Company contributions to the Plan amounted to approximately $0.3 million, $0.8 million and $0.9 million, respectively. The Company's common stock and Class B common stock are not investment options for Plan participants.

10. Business Segment Information

The Company has identified five reportable business segments: Wholesale Telecommunications Services, Retail Telecommunications Services, Winstar, Internet Telephony and Media. The operating results of these business segments are distinguishable and are regularly reviewed by the chief operating decision maker.

The Wholesale Telecommunications Services business segment is comprised of wholesale carrier services provided to other long distance carriers. The Retail Telecommunications Services business segment includes domestic and international prepaid and rechargeable calling cards and consumer long distance services to individuals and businesses. The Winstar business segment operates as a competitive local exchange carrier ("CLEC") using fixed wireless technology to provide local and long distance phone services, and high speed Internet and data communications solutions. The Internet Telephony business segment reflects the results of the Company's formerly majority-owned subsidiary, Net2Phone. The Media business segment operates several media and entertainment-related businesses, most of which are currently in the early stages of development.

The Company evaluates the performance of its business segments based primarily on operating income (loss) after depreciation, amortization and impairment charges, but prior to interest income (expense), other income (expense), income taxes, extraordinary items and cumulative effect of accounting changes. All corporate overhead is allocated to the business segments based on time and usage studies, except for certain specific corporate costs, such as treasury management and investment-related costs, which are not allocated to the business segments. Operating results and other financial data presented for the principal business segments of the Company for the years ended July 31, 2000, 2001 and 2002 are as follows (in thousands):

	Wholesale Telecommunications Services	Retail Telecommunications Services	Winstar(1)	Internet Telephony(2)	Media(3)	Corporate	Total
Year ended July 31, 2000							
Revenues	$520,518	$ 502,512	$ —	$ 56,075	$ 14,807	$ —	$1,093,912
Segment loss	(8,409)	(11,477)	—	(125,865)	(39,134)	(31,726)	(216,611)
Depreciation and amortization	17,252	16,656	—	6,804	5,228	2,624	48,564
Total assets	416,045	345,682	—	401,286	11,945	44,097	1,219,055
Year ended July 31, 2001							
Revenues	388,120	816,384	—	—	26,446	—	1,230,950
Segment loss	(69,454)	(34,118)	—	—	(265,600)	(63,538)	(432,710)
Depreciation and amortization	23,472	26,719	—	—	7,519	2,641	60,351
Total assets	516,395	1,028,069	—	—	269,062	68,063	1,881,589
Year ended July 31, 2002							
Revenues	308,987	1,121,674	79,604	—	21,349	—	1,531,614
Segment income (loss)	(30,572)	61,396	(96,644)	—	(132,006)	(26,466)	(224,292)
Depreciation and amortization	20,696	33,988	6,691	—	2,253	2,388	66,016
Total assets	$220,060	$1,078,195	$159,726	$ —	$ 91,776	$ 58,163	$1,607,920

Revenue from customers located outside of the United States represented approximately 17%, 16% and 18% of total revenues for the years ended July 31, 2000, 2001 and 2002, respectively, with no single foreign geographic area representing more than 10% of total revenues for the year ended July 31, 2000, and Western Europe representing 15% and 17% of total revenues for the years ended July 31, 2001 and 2002, respectively. Revenues are attributed to foreign geographic areas based on the location where the customer is invoiced. Gross and net long-lived assets mainly held in Western Europe totaled approximately $28.3 million and $18.7 million, and $31.9 million and $28.2 million as of July 31, 2001 and 2002, respectively.

(1) Since acquisition of Winstar in December 2001.

(2) Included in loss from operations for the Internet Telephony business segment for the year ended July 31, 2000 was approximately $41.0 million of non-cash compensation as a result of stock option grants, modifications and accelerations made by Net2Phone. In addition, contributing to the loss from operations was the significant level of sales and marketing expenses, as well as general and administrative expenses, as Net2Phone expanded its distribution relationships, corporate infrastructure and human resources.

(3) Included in loss from operations for our Media business segment for the years ended July 31, 2001 and 2002 were $193.4 million and $110.4 million, respectively, of impairment charges related to the write-down of the undersea fiber asset obtained as part of the TyCom Ltd. ("TyCom") settlement.

Reconciliation To Consolidated Financial Information

A reconciliation of the results for the operating segments to the applicable line items in the consolidated financial statements is as follows (in thousands):

	2000	2001	2002
Segment loss—reportable segments	$(216,611)	$ (432,710)	$(224,292)
Interest income, net	7,231	52,768	21,757
Other income (expense):			
Equity in loss of affiliates	(6,289)	(75,066)	(43,989)
Gain on sales of subsidiary stock	350,344	1,037,726	—
Investment and other income (expense), net	258,218	164,762	(12,117)
Income (loss) before minority interests, income taxes, extraordinary item and cumulative effect of accounting change	392,893	747,480	(258,641)
Minority interests	(59,336)	5,726	22,070
Provision for (benefit from) income taxes	218,403	209,395	(124,345)
Income (loss) before extraordinary item and cumulative effect of accounting change	233,826	532,359	(156,366)
Extraordinary loss on retirement of debt, net of income taxes of $1,894	(2,976)	—	—
Cumulative effect of accounting change, net of income taxes of $3,525	—	—	(146,983)
Consolidated net income (loss)—reported	$ 230,850	$ 532,359	$(303,349)

11. Additional Financial Information

Trade accounts payable includes approximately $112.9 million and $84.1 million due to telecommunication carriers at July 31, 2001 and 2002, respectively.

12. Acquisitions

CTM Brochure Display, Inc.

On June 30, 2000, the Company acquired a 100% interest in CTM Brochure Display, Inc. ("CTM"), a brochure distribution company, for an aggregate purchase price of approximately $23.8 million. The purchase price consisted primarily of $5.1 million in cash, $16.9 million in notes payable to the former owners and the liquidation of $1.4 million of CTM's bank debt. In connection with this transaction, the Company recorded goodwill of $23.0 million and tax liabilities of $3.0 million. The acquisition was accounted for as a purchase, and accordingly, the net assets and results of operations of the acquired business have been included in the consolidated financial statements from the date of acquisition. During the year ended July 31, 2001, the Company repaid the entire principal balance on the notes payable, together with accrued interest.

Aplio S.A.

On July 7, 2000, Net2Phone acquired all of the outstanding capital stock of Aplio, S.A ("Aplio"), a company located in France with technology that enables VoIP devices. Consideration consisted of $2.9 million in cash at closing, 0.6 million shares of Net2Phone's common stock which were valued at $35.50 per share, issuance of promissory notes aggregating $6.5 million, $1.1 million in acquisition related costs and $4.8 million in cash that was paid within eighteen months of the closing of the transaction.

The aggregate purchase price of $36.0 million plus the fair value of net liabilities assumed of $2.7 million was allocated as follows: approximately $17.5 million to goodwill, $20.7 million to core technology and patents and $0.5 million to assembled workforce. The acquisition was accounted for under the purchase method of accounting by Net2Phone, and accordingly, the net assets and results of operations of the acquired business was included in the consolidated financial statements through July 2000.

PT-1 Communications

In February 2001, the Company purchased certain prepaid calling card business assets of PT-1 Communications, Inc. ("PT-1"), a wholly-owned subsidiary of STAR Telecommunications, Inc., with a payment of cash and assumption of certain liabilities, including the obligation to honor the outstanding phone cards of PT-1. The cash payment and assumption of net liabilities incurred were approximately $26.3 million with substantially all of the purchase price recorded as goodwill.

Equity Interests in Teligent, Inc. and ICG Communications, Inc.

In April 2001, through its IDT Investments, Inc. subsidiary ("IDT Investments"), the Company acquired from Liberty Media (i) a company whose sole asset was 21.4 million shares of Teligent, Inc. ("Teligent") Class A common stock, as well as (ii) an interest in ICG Communications, Inc. ("ICG"), represented by 50,000 shares of ICG's 8% Series A-1 convertible preferred stock and warrants to purchase approximately 6.7 million shares of ICG's common stock. In exchange, IDT Investments issued Liberty Media a total of 10,000 shares of its Class B common stock and 40,000 shares of its Series A convertible preferred stock. Upon completing the transaction, IDT effectively owned approximately 32% of the equity of Teligent, and approximately 29% of the equity of ICG. The total consideration for Teligent and ICG's April 2001 transaction was approximately $10.3 and $3.4 million, respectively.

In May 2001, through its IDT Investments subsidiary, the Company entered into an agreement with various affiliates of HMTF to increase IDT's strategic investments in Teligent and ICG. Under the terms of the agreement, the HMTF affiliates received 18,195 shares of IDT Investments' Series B convertible preferred stock in exchange for the HMTF affiliates' stakes in Teligent and ICG. The HMTF affiliates owned 219,998 shares of Teligent's Series A 7¾% convertible preferred stock, 23,000 shares of ICG 's 8% Series A-2 convertible preferred stock and warrants to purchase approximately 3.1 million shares of ICG's common stock. Upon completing the transaction, IDT effectively owned approximately 37% of the equity of Teligent, and approximately 42% of the equity of ICG. The total consideration for Teligent and ICG's May 2001 transaction was approximately $2.0 and $1.6 million, respectively.

The pro-rata share of the losses of Teligent and ICG recorded by IDT subsequent to these acquisitions have fully eliminated the carrying value of the Company's investment in these companies.

In May 2001, Teligent filed a voluntary bankruptcy petition under Chapter 11 of the U.S. Bankruptcy Code. ICG had previously filed for bankruptcy protection in November 2000.

Winstar

On December 19, 2001, the Company, through a subsidiary, acquired the core domestic telecommunications assets of Winstar Communications, Inc. and certain of its subsidiaries that are debtors and debtors in possession in bankruptcy proceedings pending before the United States Bankruptcy Court for the District of Delaware. The acquiring subsidiary was subsequently renamed Winstar Holdings, LLC. Winstar operates as a CLEC using fixed wireless technology to provide local and long distance phone services, and high speed Internet and data communications solutions.

The purchase price for the Winstar assets was comprised of a $30.0 million cash payment, $12.5 million in newly issued shares of IDT Class B common stock and 5% of the common equity interests in the acquiring subsidiary (the remaining 95% of the common equity interests as well as all of the preferred equity interests in the acquiring subsidiary were owned by IDT). The Company also agreed to invest $60.0 million into Winstar to be used as working capital. The acquisition has been accounted for under the purchase method of accounting. The results of operations of Winstar have been included in the Company's consolidated statements of operations since the date of acquisition. The preliminary allocation of the purchase price, pending final determination of certain acquired balances, is as follows (in thousands):

Trade accounts receivable and other current assets	$ 51,301
Property, plant, equipment and intangible assets	37,923
Trade accounts payable, accrued expenses and other current liabilities	(44,487)
Minority interest	(2,237)
Value of assets acquired	$ 42,500

The fair value of the Winstar assets acquired and liabilities assumed would have exceeded IDT's acquisition cost. Therefore, in accordance with SFAS No. 141, Business Combinations, the excess value over the acquisition cost has been allocated as a pro rata reduction of the amounts that otherwise would have been assigned to the acquired assets, except with respect to the following:

- *Trade accounts receivable*—present values of amounts to be received, less allowances for uncollectibility and collection costs.
- *Other current assets* (principally assets to be sold)—fair value less cost to sell.
- *Trade accounts payable, accrued expenses and other current liabilities* (principally relating to contractual agreements assumed)—present values of amounts to be paid.

On April 16, 2002, IDT, through a subsidiary, purchased the 5% of common equity interests in Winstar that it did not own. Consideration consisted of 0.8 million shares of IDT Class B common stock, which were valued at $13.3 million.

The following pro forma financial information presents the combined results of operations of IDT and Winstar, as if the Winstar acquisition had occurred as of the beginning of the periods presented, after giving effect to certain adjustments, including depreciation expense, income taxes and the issuance of IDT Class B common stock as part of the purchase price. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had IDT and Winstar been a single entity during such periods.

	Year Ended July 31,		
	2000	2001	2002
	(in thousands, except per share data)		
Revenues	$1,325,821	$ 1,451,912	$1,604,314
Income (loss) before cumulative effect of accounting change	$ 108,472	$(1,421,850)	$ (205,083)
Net income (loss)	$ 108,472	$(1,421,850)	$ (352,066)
Earnings per share:			
Income (loss) before cumulative effect of accounting change			
Basic	$ 1.51	$ (20.29)	$ (2.70)
Diluted	$ 1.41	$ (18.57)	$ (2.70)
Net income (loss)			
Basic	$ 1.51	$ (20.29)	$ (4.63)
Diluted	$ 1.41	$ (18.57)	$ (4.63)

13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Year ended July 31		
	2000	2001	2002
	(in thousands, except per share data)		
Numerator:			
Net income (loss)	$230,850	$532,359	$(303,349)
Denominator:			
Weighted-average number of shares used in calculation of earnings per share—Basic	69,933	68,301	75,108
Effect of stock options	5,306	6,485	—
Weighted-average number of shares used in calculation of earnings per share—Diluted	75,239	74,786	75,108
Earnings per share—Basic	$ 3.30	$ 7.79	$ (4.04)
Earnings per share—Diluted	$ 3.07	$ 7.12	$ (4.04)

The following securities have been excluded from the dilutive per share computation as they are antidilutive:

	Year ended July 31		
	2000	2001	2002
		(in thousands)	
Stock options	449	1,163	5,291
Contingently issuable shares	—	—	369
Total	449	1,163	5,660

14. Net2Phone Subsidiary Stock Sales

During the years ended July 31, 2000 and 2001, the Company recognized approximately $350.3 and $1,037.7 million, respectively, in gains on sales of subsidiary stock related to Net2Phone stock sales, as follows:

On August 3, 1999, Net2Phone completed an initial public offering of 6.2 million shares of its common stock at an initial public offering price of $15.00 per share, resulting in net proceeds of $85.3 million. Upon completion of the initial public offering, 3.1 million shares of Net2Phone Series A preferred stock were converted into 9.4 million shares of Net2Phone Class A common stock. As a result of the initial public offering and concurrent conversion of Series A preferred stock to Class A common stock, the Company's ownership percentage in Net2Phone decreased from 90.0% to 56.2%. In connection with such offering, the Company recorded a gain of $65.5 million.

In December 1999, Net2Phone completed a secondary offering of 3.4 million shares of common stock at a price of $55.00 per share. In connection with this offering, IDT also sold 2.2 million shares of Net2Phone common stock at $55.00 per share. Total proceeds to the Company, after deducting underwriting discounts, commissions and offering expenses were $292.8 million. The Company's ownership interest in Net2Phone before and after these transactions decreased from 56.2% to 45.0%. The Company recorded gains on sales of stock of $182.6 million in connection with these offerings.

In March 2000, the Company acquired 0.8 million shares of Yahoo! Inc. in exchange for 2.8 million shares of Net2Phone common stock at a then equivalent market value of approximately $150.0 million. In connection with this transaction, the Company recorded a gain on sale of subsidiary stock of $102.2 million.

In August 2001, IDT sold 14.9 million shares of Net2Phone common stock at $75.00 per share. Net proceeds to the Company as a result of this sale were $1,042.1 million. The Company's ownership interest in Net2Phone before and after this transaction decreased from 45.0% to 16%. The Company recorded a total gain of $1,037.7 million in conjunction with this transaction.

15. TyCom Ltd. Settlement

On October 10, 2000, IDT reached a full and final settlement with TyCom of all pending claims brought against one another and their respective affiliates. The settlement agreement is subject to a confidentiality agreement among the parties and only the following disclosure by IDT is permitted under the terms of that agreement.

Under the terms of the settlement, TyCom granted to IDT Europe B.V.B.A. ("IDT Europe"), free of charge, certain exclusive rights to use capacity on the transatlantic and transpacific segments of TyCom's global undersea fiber optic network (the "TyCom Global Network"), which TyCom is deploying. The settlement agreement provides for IDT Europe to obtain exclusive indefeasible rights to use (IRU) two 10 Gb/s wavelengths on the transatlantic segment (which we have been informed has been deployed) and two 10 Gb/s wavelengths on the transpacific segment (which be believe is still under development) for fifteen years from the applicable Handover Dates.

Operation, administration and maintenance for the wavelengths used by the Company will be provided by TyCom for a fifteen year period after the relevant Handover Date, free of charge. TyCom-has also granted the Company certain rights to resell any unused capacity on the wavelengths through TyCom as its sole and exclusive agent. In addition, the Company will also have the option, exercisable at least annually, to convert the available capacity on its wavelengths to available equivalent capacity on another portion of the TyCom Global Network. In recognition of the settlement, a gain of $313.5 million was included as a component of "investment and other income." The Company subsequently re-evaluated the recoverability of the carrying value of its IRU in accordance with SFAS No. 121 and, as a result, the Company has recorded an impairment loss of $193.4 million and $110.4 million for the years ended July 31, 2001 and 2002, respectively, to write down the asset to its fair value.

16. Comprehensive Income (Loss)

The accumulated balances for each classification of comprehensive income (loss) consists of the following (in thousands):

	Unrealized gain (loss) in available-for-sale securities	Foreign currency translation	Accumulated other comprehensive loss
Beginning balance at July 31, 1999	$ —	$ —	$ —
Change during period	(94,044)	1,391	(92,653)
Balance at July 31, 2000	(94,044)	1,391	(92,653)
Change during the period	89,148	930	90,078
Balance at July 31, 2001	(4,896)	2,321	(2,575)
Change during the period	(1,064)	964	(100)
Balance at July 31, 2002	$ (5,960)	$3,285	$ (2,675)

17. Price Guarantee of Class B Common Stock

In March 2001, the Company exercised an option to sell to AT&T approximately 2.0 million shares of its Class B common stock for approximately $74.8 million. In conjunction with the formation of the consortium, IDT guaranteed to AT&T the value of approximately 1.4 million shares of IDT Class B common stock still being retained by AT&T. If the value of IDT Class B common stock is less than $27.5 million on October 19, 2002, and AT&T or an affiliate retains all the shares through such date, then IDT will be obligated to pay AT&T the difference with cash, additional shares of IDT Class B common stock or a combination of both, at the option of IDT. In connection with this obligation, the Company recorded in "investment and other income (expense)" a charge of $5.3 million during the year ended July 31, 2002. The Company was subject to additional charges of $1.0 million through October 19, 2002 based on changes in the market value of IDT Class B common stock. As a result, the Company's total liability is $6.3 million as of October 19, 2002.

18. Extraordinary Loss

On May 10, 1999, the Company obtained a Senior Secured Credit Facility from a consortium of financial institutions. During the second quarter ended January 31, 2000, the Company repaid all of the outstanding principal balance together with accrued interest. The Company recorded a pre-tax extraordinary loss of $4.9 million in connection with the repayment during the year ended July 31, 2000.

19. Selected Quarterly Financial Data (unaudited)

The table below presents selected quarterly financial data (unaudited) of the Company for the calendar quarters in the fiscal years ended July 31, 2002 and 2001:

Quarter Ended	Revenues	Loss from Operations	Income (loss) before cumulative effect of accounting change: Amount	Per Share —Basic	Per Share —Diluted	Net Income (Loss)
		(in thousands, except for per share data)				
2002:						
October 31 /a/	$ 339,209	$ (12,565)	$ (11,332)	$ (0.16)	$ (0.16)	$(158,315)
January 31	374,025	(27,774)	(17,212)	(0.23)	(0.23)	(17,212)
April 30	401,653	(42,829)	(49,593)	(0.64)	(0.64)	(49,593)
July 31 /b/	416,727	(141,124)	(78,229)	(0.99)	(0.99)	(78,229)
Total	$1,531,614	$(224,292)	$(156,366)			$(303,349)
2001:						
October 31 /c/	$ 276,597	$ (60,070)	$ 869,568	$12.43	$11.27	$ 869,568
January 31	287,597	(48,455)	(117,104)	(1.77)	(1.77)	(117,104)
April 30 /d/	335,722	(55,571)	(48,277)	(0.73)	(0.73)	(48,277)
July 31 /e/	331,034	(268,614)	(171,828)	(2.44)	(2.44)	(171,828)
Total	$1,230,950	$(432,710)	$ 532,359			$ 532,359

/a/ Included in net loss is a $147.0 million cumulative effect of accounting change, net of $3.5 million of income taxes, due to the adoption of SFAS No. 142.

/b/ Included in loss from operations was $110.4 million of impairment charges related to the IRU received as part of the Tycom settlement.

/c/ Included in net income is $1,037.7 million in gains on sales of subsidiary stock related to Net2Phone stock sales.

/d/ Included in loss from operations was $193.4 million of impairment charges related to the IRU received as part of the Tycom settlement.

20. Subsequent Events

In August 2002, Net2Phone and its Adir subsidiary consummated the settlement of their lawsuit filed on March 19, 2002 in the United States District Court for the District of New Jersey against Cisco Systems ("Cisco") and a Cisco executive who had been a member of the Adir board of directors. The suit arose out of the relationships that had been created in connection with Cisco's and Net2Phone's original investments in Adir and out of Adir's subsequent purchase of NetSpeak, Inc. in August 2001. The parties settled the suit and all related claims against Cisco and the Cisco executive in exchange for (i) the transfer, during the first quarter of fiscal 2003, to Net2Phone of Cisco's and Softbank Asia Infrastructure Fund's respective 11.5% and 7.0% interests in Adir and, (ii) the payment by Cisco, during such quarter, of $19.5 million to Net2Phone and Adir. As a result of this settlement, Net2Phone will recognize, for the quarter ended October 31, 2002, a gain of approximately $58.4 million. Net2Phone will be consolidated by IDT in Fiscal year 2003, which began on August 1, 2002.

IDT CORPORATION

FINANCIAL STATEMENT SCHEDULE—VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
		(Dollars, in thousands)		
2000				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	$ 7,643	$20,154	$ (1,026)	$26,771
2001				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	$26,771	$32,873	$(37,136)	$22,508
2002				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts	$22,508	$19,203	$ (2,818)	$38,893

(1) Uncollectible accounts written off, net of recoveries.

Exhibit 6

Marketing and Business Information

Entrix Telecom, Inc. will market long distance telecommunications services via prepaid calling cards. Marketing will be done primarily through print advertising and displays in stores. Entrix has no current plans to deploy a sales force in the region, but will assess whether and to what extent any deployment is commercially beneficial.

Exhibit 7

Indemnity Bond

INDEMNITY BOND
TO THE
PEOPLE OF THAT STATE OF SOUTH DAKOTA

BOND No.: 6176911

We, Entrix Telecom, Inc., as Principal and provider of resold intrastate interexchange, telecommunication service with the State of SOUTH DAKOTA, and SAFECO INSURANCE COMPANY OF AMERICA, as an admitted surety insurer, bind ourselves unto the PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA, as Obligee, in the penal sum of TWENTY FIVE THOUSAND AND 00/100 ($25,000.00) Dollars.

The total aggregate liability under this bond is limited to TWENTY FIVE THOUSAND AND 00/100 ($25,000.00) Dollars.

The conditions of this obligation are such that the principal shall in all respects fully and faithfully comply with all application provisions of SOUTH DAKOTA law. This obligation shall be used to refund prepayments to individuals who have purchased prepaid telecommunications services of the principal if the principal is unable to provide such Utility or return the prepayments to its customers. Within twenty-four (24) hours of such event, principal shall provide to insurer a list of prepaid-calling service account codes it believes to be outstanding in the State of SOUTH DAKOTA together with the remaining balances.

This bond shall take effect as of the date hereon and shall remain in full force and effect until the surety is released from liability by the written order of the SOUTH DAKOTA 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 SOUTH DAKOTA Public Utilities Commission. Such cancellation shall not affect any liability incurred or accrued hereunder prior to the termination of said thirty (30) day period. The principal will promptly obtain a bond by an admitted surety carrier before the end of the thirty (30) day period for an amount equal to or greater than the value of this instrument unless the Obligee and the Principal agree otherwise.

Signed, sealed and dated this 13th day of February, 2003.

Entrix Telecom, Inc.
Principal

By: Norman Rosenberg

SAFECO INSURANCE COMPANY OF AMERICA
Surety

By: Milena Langert
Milena Langert, Attorney-in-fact

Countersigned this 13th day of February, 2003.

By: Chris Schmid
Chris P. Schmid
Schmid Insurance Agency Inc.
107 St. Joseph Street
Rapid City, SD 57702-6025
Ph: 605-343-0411

SURETY ACKNOWLEDGMENT

STATE OF NEW YORK
COUNTY OF NASSAU } SS:

On this 13th day of **FEBRUARY** in the year **2003**, before me personally came **MILENA LANGERT** to me known, who being by me duly sworn, did depose and say that he resides in **WESTBURY, NEW YORK**; that he is the attorney-in-fact of SAFECO INSURANCE COMPANY OF AMERICA 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.

NOTARY PUBLIC STAMP	
SHARON SCHISSEL NOTARY PUBLIC, State of New York No. 01SC6065816 Qualified in Queens County Commission Expires October 29, 20 05	Sharon Schissel NOTARY PUBLIC

INDIVIDUAL - PRINCIPAL

STATE OF
COUNTY OF } SS:

On this _______ day of ___________________________, 19_______, before me, the undersigned personally came and appeared ____ to me personally known and known to me to be ____ the individual described in and who executed the foregoing instrument and duly acknowledged to me that ______________________________executed the same.

NOTARY PUBLIC STAMP	
	NOTARY PUBLIC

CORPORATION - PRINCIPAL

STATE OF
COUNTY OF } SS:

On this 26th day of February, ~~19~~ 2003, before me came Norman Rosenberg to me known, who, being by me duly sworn, did depose and say that he resides at ______________________________ that he is ______________________________of **ENTRIX TELECOM, INC.** the corporation described in and which executed the foregoing instrument as principal; 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.

NOTARY PUBLIC STAMP	
WENDY MOREANO A Notary Public of New Jersey My Commission Expires 9/21/2003	Wendy Moreano NOTARY PUBLIC

PARTNERSHIP - PRINCIPAL

STATE OF
COUNTY OF } SS:

On this ______ day of _________________, 19______, before me personally came ______________________________ to me personally known, and known to me to be a member of the firm of ______________________________ and he duly acknowledged to me that he executed the same for the uses and purposes therein mentioned.

NOTARY PUBLIC STAMP	

SAFECO®

POWER
OF ATTORNEY

SAFECO INSURANCE COMPANY OF AMERICA
GENERAL INSURANCE COMPANY OF AMERICA
HOME OFFICE: SAFECO PLAZA
SEATTLE, WASHINGTON 98185

No. 9423

KNOW ALL BY THESE PRESENTS:

That **SAFECO INSURANCE COMPANY OF AMERICA** and **GENERAL INSURANCE COMPANY OF AMERICA**, each a Washington corporation, does each hereby appoint
CRAIG H. TREIBER; JOHN H. TREIBER; RICHARD GUARINI; GARY MORRISSEY; MILENA LANGERT; JEAN C. SPEIRS; ROBET G. TYNAN; Garden City, New York

its true and lawful attorney(s)-in-fact, with full authority to execute on its behalf fidelity and surety bonds or undertakings and other documents of a similar character issued in the course of its business, and to bind the respective company thereby.

IN WITNESS WHEREOF, SAFECO INSURANCE COMPANY OF AMERICA and **GENERAL INSURANCE COMPANY OF AMERICA** have each executed and attested these presents

this 29 day of September, 19 98

W. RANDALL STODDARD, PRESIDENT

CERTIFICATE

Extract from the By-Laws of **SAFECO INSURANCE COMPANY OF AMERICA** and of **GENERAL INSURANCE COMPANY OF AMERICA:**

"Article V, Section 13. – FIDELITY AND SURETY BONDS . . . the President, any Vice President, the Secretary, and any Assistant Vice President appointed for that purpose by the officer in charge of surety operations, shall each have authority to appoint individuals as attorneys-in-fact or under other appropriate titles with authority to execute on behalf of the company fidelity and surety bonds and other documents of similar character issued by the company in the course of its business . . . On any instrument making or evidencing such appointment, the signatures may be affixed by facsimile. On any instrument conferring such authority or on any bond or undertaking of the company, the seal, or a facsimile thereof, may be impressed or affixed or in any other manner reproduced; provided, however that the seal shall not be necessary to the validity of any such instrument or undertaking."

Extract from a Resolution of the Board of Directors of **SAFECO INSURANCE COMPANY OF AMERICA** and of **GENERAL INSURANCE COMPANY OF AMERICA** adopted July 28, 1970.

"On any certificate executed by the Secretary or an assistant secretary of the Company setting out,
(i) The provisions of Article V, Section 13 of the By-Laws, and
(ii) A copy of the power-of-attorney appointment, executed pursuant thereto, and
(iii) Certifying that said power-of-attorney appointment is in full force and effect,
the signature of the certifying officer may be by facsimile, and the seal of the Company may be a facsimile thereof."

I, R. A. Pierson, Secretary of **SAFECO INSURANCE COMPANY OF AMERICA** and of **GENERAL INSURANCE COMPANY OF AMERICA** do hereby certify that the foregoing extracts of the By-Laws and of a Resolution of the Board of Directors of these corporations, and of a Power of Attorney issued pursuant thereto, are true and correct, and that both the By-Laws, the Resolution and the Power of Attorney are still in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the facsimile seal of said corporation

this 13th day of February, ~~19~~2003

R.A. PIERSON, SECRETARY

S-974/EP 1/93

® Registered trademark of SAFECO Corporation

SAFECO®

SAFECO INSURANCE COMPANY OF AMERICA

FINANCIAL STATEMENT — DECEMBER 31, 2001

Assets

Cash and Bank Deposits	$ 28,779,143
*Bonds — U.S. Government	172,579,475
*Other Bonds	1,686,877,756
*Stocks	595,048,675
Real Estate	35,076,733
Agents' Balances or Uncollected Premiums	286,362,995
Accrued Interest and Rents	32,961,439
Other Admitted Assets	557,153,050
Total Admitted Assets	**$3,394,839,266**

Liabilities

Unearned Premiums		$ 573,965,389
Reserve for Claims and Claims Expense		1,520,553,379
Funds Held Under Reinsurance Treaties		551,241
Reserve for Dividends to Policyholders		6,684,466
Additional Statutory Reserve		–
Reserve for Commissions, Taxes and Other Liabilities		536,160,641
Total		**$2,637,915,116**
Capital Stock	$ 5,000,000	
Paid in Surplus	152,306,484	
Unassigned Surplus	599,617,666	
Surplus to Policyholders		**756,924,150**
Total Liabilities and Surplus		**$3,394,839,266**

SAFECO INSURANCE COMPANY OF AMERICA CORPORATE SEAL 1953 STATE OF WASHINGTON

* Bonds are stated at amortized or investment value; Stocks at Association Market Values. Securities carried at $121,297,719 are deposited as required by law.

I, MICHAEL C. PETERS, president of SAFECO Insurance Company of America, do hereby certify that the foregoing is a true, and correct statement of the Assets and Liabilities of said Corporation, as of December 31, 2001, to the best of my knowledge and belief.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Corporation at Seattle, Washington, this 1st day of March, 2002.

President

S-1262b 3/02

VERIFICATION

County of Essex :
: ss.
State of New Jersey :

I, Norman Rosenberg, being duly sworn, state that I am Secretary of Entrix Telecom, Inc.; that I am authorized to make this Verification on behalf of Entrix Telecom, Inc.; that the foregoing Application was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information and belief.

Norman Rosenberg
Printed Name: Norman Rosenberg
Position: Secretary, Entrix Telecom, Inc.

Sworn and subscribed before me this 10th day of March 2003

Wendy Moreano
Notary Public

My commission expires WENDY MOREANO A Notary Public of New Jersey My Commission Expires 9/21/2003

FIRST UNION NATIONAL BANK
55-2-212

1067

ENTRIX TELECOM, INC.
520 BROAD STREET
NEWARK, NJ 07102

CHECK DATE	CONTROL NUMBER	AMOUNT
12/09/2002	001067	$********250.00

PAY Two Hundred Fifty and 00/100 -- US Doll

TO THE ORDER OF South Dakota Public Serv. Comm

Security Features Included. Details on back.

MP

080159/3-95

⑈0000106 7⑈ ⑆021200025⑆2000010228676⑈

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of March 6, 2003 through March 12, 2003

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 report. Phone: 605-773-3705

CONSUMER COMPLAINTS

CT03-006 In the Matter of the Complaint filed by Joan and Frank Urbanski on behalf of Anytime Tan, North Sioux City, South Dakota, against McLeodUSA n/k/a PrairieWave Communications, Inc. Regarding a Contract Dispute.

Complainant received a termination charge of $1070.87 from McLeodUSA for changing carriers. Complainants' representatives allege they were not informed by McLeodUSA that the telephone contract was for 60 months and request to be released from the contract without penalty.

Staff Analyst: Jim Mehlhaff
Staff Attorney: Kelly Frazier
Date Docketed: 03/12/03
Intervention deadline: N/A

ELECTRIC

EL03-010 In the Matter of the Joint Request for an Electric Service Rights Exception between Xcel Energy and Central Electric Cooperative, Inc.

On March 6, 2003, Xcel Energy and Central Electric Cooperative filed a "Joint Request for an Electric Service Territory Boundary Modification." This agreement seeks an exception to the existing service territory near Artesian, SD. The area to be transferred from Central Electric to Xcel Energy is described as the telephone "pedestal" and its associated facilities located just east of 411th Avenue and on the south side of 233rd Street (SD Highway 34) approximately 3 miles west of Artesian, South Dakota, residing in the NW 1/4 of Section 12 of Union Township T106N R60W in Sanborn County, South Dakota, together with a line to connect with Xcel's system.

Staff Analyst: Michele Farris
Staff Attorney: Karen Cremer
Date Docketed: 03/06/03
Intervention Deadline: 03/28/03

TELECOMMUNICATIONS

TC03-056 In the Matter of the Application of Entrix Telecom, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

Entrix Telecom, Inc. has filed an application for a Certificate of Authority to provide intrastate interexchange telecommunications services in South Dakota. The applicant intends to provide resold interexchange services, including pre-paid toll-free and local access calling cards and directory assistance throughout South Dakota.

Staff Analyst: Bonnie Bjork
Staff Attorney: Karen Cremer
Date Docketed: 03/12/03
Intervention Deadline: 03/28/03

Entrix Telecom, Inc.
520 Broad Street
Newark, New Jersey 07102-3111

RECEIVED
APR 10 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

April 8, 2003

Name should be Entrix Telecom, Inc. per Carl Billek.

VIA OVERNIGHT MAIL

William Bullard, Executive Director
South Dakota Public Utilities Commission
500 E. Capitol
State Capitol Building, 1ST Floor
Pierre, South Dakota 57501

Re: Application of Entrix Telecom, Inc. to Provide Interexchange Telecommunications Services in South Dakota DPUC Docket TC03-056

Dear Mr. Bullard:

Enclosed for filing on behalf of Entrix, Corp. ("Entrix") are an original and ten (10) copies of Entrix's Indemnity Bond to the People of the State of South Dakota. At the request of the Commission, this Bond replaces the Bond submitted as Exhibit 7 to Entrix's March 10, 2003 Application in the above-docketed matter.

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, stamped envelope provided herein.

Should you have any questions concerning this filing, please do not hesitate to contact me at (973) 438-4854.

Respectfully submitted,

Carl Wolf Billek

Carl Wolf Billek
Entrix Telecom, Inc.

Enclosure

INDEMNITY BOND
TO THE
PEOPLE OF THAT STATE OF SOUTH DAKOTA

BOND No.: 6176919

We, Entrix Telecom, Inc., as Principal and provider of resold intrastate interexchange, telecommunication service with the State of SOUTH DAKOTA , and SAFECO INSURANCE COMPANY OF AMERICA, 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 penal sum of TWENTY FIVE THOUSAND AND 00/100 ($25,000.00) Dollars.

The total aggregate liability under this bond is limited to TWENTY FIVE THOUSAND AND 00/100 ($25,000.00) Dollars.

The conditions of this obligation are such that the principal shall in all respects fully and faithfully comply with all application provisions of SOUTH DAKOTA law. This obligation shall be used to refund prepayments to individuals who have purchased prepaid telecommunications services of the principal if the principal is unable to provide such Utility or return the prepayments to its customers. Within twenty-four (24) hours of such event, principal shall provide to insurer a list of prepaid-calling service account codes it believes to be outstanding in the State of SOUTH DAKOTA together with the remaining balances.

This bond shall take effect as of the date hereon and shall remain in full force and effect until the surety is released from liability by the written order of the SOUTH DAKOTA 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 SOUTH DAKOTA Public Utilities Commission. Such cancellation shall not affect any liability incurred or accrued hereunder prior to the termination of said thirty (30) day period. The principal will promptly obtain a bond by an admitted surety carrier before the end of the thirty (30) day period for an amount equal to or greater than the value of this instrument unless the Obligee and the Principal agree otherwise.

Signed, sealed and dated this 24th day of March, 2003.

Original bond is in Delaines bottom desk drawer

Entrix Telecom, Inc.
Principal

By: [signature]

SAFECO INSURANCE COMPANY OF AMERICA
Surety

By: Milena Langert
Milena Langert, Attorney-in-fact

Countersigned this 24th day of March, 2003.

By: Chris P. Schmid
Chris P. Schmid
Schmid Insurance Agency Inc.
107 St. Joseph Street
Rapid City, SD 57702-6025
Ph: 605-343-0411

This bond cancels and supersedes Bond No. 6176911

SURETY ACKNOWLEDGMENT

STATE OF NEW YORK
COUNTY OF NASSAU } SS:

On this 24th day of **MARCH** in the year **2003**, before me personally came **MILENA LANGERT** to me known, who being by me duly sworn, did depose and say that he resides in **WESTBURY, NEW YORK**; that he is the attorney-in-fact of SAFECO INSURANCE COMPANY OF AMERICA 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.

NOTARY PUBLIC STAMP
SHARON SCHISSEL
NOTARY PUBLIC, State of New York
No. 01SC6065816
Qualified in Queens County
Commission Expires October 29, 20 05

Sharon Schissel
NOTARY PUBLIC

INDIVIDUAL - PRINCIPAL

STATE OF
COUNTY OF } SS:

On this _______ day of _________________________, 19_______, before me, the undersigned personally came and appeared _________________________ to me personally known and known to me to be the individual described in and who executed the foregoing instrument and duly acknowledged to me that _________________________ executed the same.

NOTARY PUBLIC STAMP

NOTARY PUBLIC

CORPORATION - PRINCIPAL

STATE OF
COUNTY OF } SS:

On this 8th day of April, ~~19~~2003, before me came Norman Rosenberg to me known, who, being by me duly sworn, did depose and say that he resides at 520 Broad St., Newark, NJ 071[illegible] that he is Secretary of **ENTRIX TELECOM, INC.** the corporation described in and which executed the foregoing instrument as principal; 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.

NOTARY PUBLIC STAMP

Wendy Moreano

WENDY MOREANO
A Notary Public of New Jersey
My Commission Expires 9/21/2003

NOTARY PUBLIC

PARTNERSHIP - PRINCIPAL

STATE OF
COUNTY OF } SS:

On this ______ day of _________________, 19______, before me personally came _________________________ to me personally known, and known to me to be a member of the firm of _________________________ and he duly acknowledged to me that he executed the same for the uses and purposes therein mentioned.

NOTARY PUBLIC STAMP

SAFECO®

POWER
OF ATTORNEY

SAFECO INSURANCE COMPANY OF AMERICA
GENERAL INSURANCE COMPANY OF AMERICA
HOME OFFICE: SAFECO PLAZA
SEATTLE, WASHINGTON 98185

No. 9423

KNOW ALL BY THESE PRESENTS:

That **SAFECO INSURANCE COMPANY OF AMERICA** and **GENERAL INSURANCE COMPANY OF AMERICA,** each a Washingtor corporation, does each hereby appoint
CRAIG H. TREIBER; JOHN H. TREIBER; RICHARD GUARINI; GARY MORRISSEY; MILENA LANGERT; JEAN C. SPEIRS; ROBET G. TYNAN; Garden City, New York

its true and lawful attorney(s)-in-fact, with full authority to execute on its behalf fidelity and surety bonds or undertakings and other documents of a similar character issued in the course of its business, and to bind the respective company thereby.

IN WITNESS WHEREOF, SAFECO INSURANCE COMPANY OF AMERICA and **GENERAL INSURANCE COMPANY OF AMERICA** have each executed and attested these presents

this 29 day of September, 19 98.

CERTIFICATE

Extract from the By-Laws of **SAFECO INSURANCE COMPANY OF AMERICA**
and of **GENERAL INSURANCE COMPANY OF AMERICA:**

"Article V, Section 13. - FIDELITY AND SURETY BONDS . . . the President, any Vice President, the Secretary, and any Assistant Vice President appointed for that purpose by the officer in charge of surety operations, shall each have authority to appoint individuals as attorneys-in-fact or under other appropriate titles with authority to execute on behalf of the company fidelity and surety bonds and other documents of similar character issued by the company in the course of its business . . . On any instrument making or evidencing such appointment, the signatures may be affixed by facsimile. On any instrument conferring such authority or on any bond or undertaking of the company, the seal, or a facsimile thereof, may be impressed or affixed or in any other manner reproduced; provided, however, that the seal shall not be necessary to the validity of any such instrument or undertaking."

Extract from a Resolution of the Board of Directors of **SAFECO INSURANCE COMPANY OF AMERICA**
and of **GENERAL INSURANCE COMPANY OF AMERICA** adopted July 28, 1970.

"On any certificate executed by the Secretary or an assistant secretary of the Company setting out,
(i) The provisions of Article V, Section 13 of the By-Laws, and
(ii) A copy of the power-of-attorney appointment, executed pursuant thereto, and
(iii) Certifying that said power-of-attorney appointment is in full force and effect,
the signature of the certifying officer may be by facsimile, and the seal of the Company may be a facsimile thereof."

I, R. A. Pierson, Secretary of **SAFECO INSURANCE COMPANY OF AMERICA** and of **GENERAL INSURANCE COMPANY OF AMERICA,** do hereby certify that the foregoing extracts of the By-Laws and of a Resolution of the Board of Directors of these corporations, and of a Power of Attorney issued pursuant thereto, are true and correct, and that both the By-Laws, the Resolution and the Power of Attorney are still in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the facsimile seal of said corporation

this 24th day of March, ~~19~~ 2003

SAFECO®

GENERAL INSURANCE COMPANY OF AMERICA

FINANCIAL STATEMENT — DECEMBER 31, 2001

Assets

Cash and Bank Deposits	$ 2,258,260
*Bonds — U.S. Government	128,521,602
*Other Bonds	1,249,567,798
*Stocks	345,865,107
Real Estate	19,857,799
Agents' Balances or Uncollected Premiums	204,193,229
Accrued Interest and Rents	23,181,195
Other Admitted Assets	185,149,880
Total Admitted Assets	**$2,158,594,870**

Liabilities

Unearned Premiums		$ 400,036,484
Reserve for Claims and Claims Expense		1,059,779,623
Reserve for Dividends to Policyholders		4,658,870
Additional Statutory Reserve		–
Reserve for Commissions, Taxes and Other Liabilities		179,731,825
Total		$1,644,206,802
Capital Stock	$ 5,000,000	
Paid in Surplus	95,891,058	
Unassigned Surplus	413,497,010	
Surplus to Policyholders		**514,388,068**
Total Liabilities and Surplus		**$2,158,594,870**

GENERAL INSURANCE COMPANY OF AMERICA
CORPORATE SEAL
1923
State of Washington

* Bonds are stated at amortized or investment value; Stocks at Association Market Values. Securities carried at $83,270,097 are deposited as required by law.

I, MICHAEL C. PETERS, president of General Insurance Company of America, do hereby certify that the foregoing is a true, and correct statement of the Assets and Liabilities of said Corporation, as of December 31, 2001, to the best of my knowledge and belief.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Corporation at Seattle, Washington, this 1st day of March, 2002.

President

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF ENTRIX TELECOM, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA	)))))	**ORDER GRANTING CERTIFICATE OF AUTHORITY** **TC03-056**

On March 12, 2003, 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 Entrix Telecom, Inc. (Entrix).

Entrix proposes to provide intrastate interexchange telecommunications services, including prepaid calling card services to consumers from all points within the state. A proposed tariff was filed by Entrix. The Commission has classified long distance service as fully competitive.

On March 13, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of March 28, 2003, to interested individuals and entities. No petitions to intervene or comments were filed and at its April 15, 2003, meeting, the Commission considered Entrix'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 Entrix has met the legal requirements established for the granting of a certificate of authority. Entrix 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 subparagraph (8) of ARSD 20:10:24:02. The Commission approves Entrix'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 Entrix's application for a certificate of authority to provide interexchange telecommunications services is hereby granted, effective May 12, 2003, subject to a continuous $25,000 surety bond. It is

FURTHER ORDERED, that the Commission waives subparagraph (8) of ARSD 20:10:24:02. It is

FURTHER ORDERED, that Entrix shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 24th day of April, 2003.

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: 4/24/03

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State of South Dakota

Authority was Granted effective May 12, 2003
Docket No. TC03-056

This is to certify that

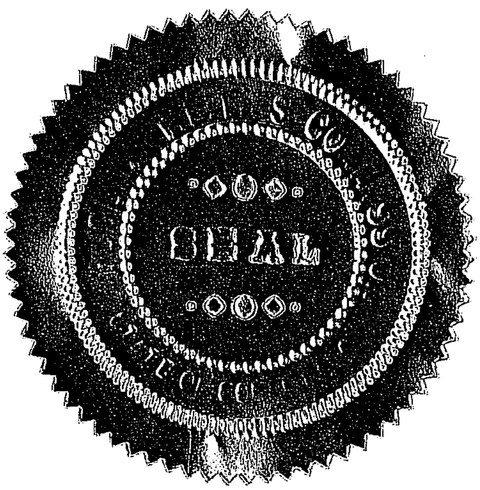
ENTRIX TELECOM, INC.

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 24th day of April, 2003.

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:



ROBERT K. SAHR, Chairman

GARY HANSON, Commissioner

JAMES A. BURG, Commissioner