

IDT CORP
Form PRE 14A
October 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

IDT Corporation

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Edgar Filing: IDT CORP - Form PRE 14A

Fee computed on table below per Exchange Act Rule 14a-6(i)(1), and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transactions applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Howard S. Jonas

Chairman of the Board of Directors

IDT Corporation
520 Broad Street
Newark, NJ 07102

November [], 2006

To Our Stockholders:

On behalf of the Board of Directors, I cordially invite you to attend the Annual Meeting of Stockholders of IDT Corporation. The Annual Meeting will be held at 10:30 a.m. on Thursday, December 14, 2006, at the Company's headquarters located at 520 Broad Street, Newark, New Jersey.

All stockholders are invited to attend the Annual Meeting in person. Whether or not you plan on attending the Annual Meeting in person, you should complete, sign and date the enclosed form of proxy and return it by mail in the enclosed envelope or vote by telephone or on the Internet, in accordance with the instructions on the proxy card or other voting instructions included with the proxy materials. It is important that your shares be represented and voted at the annual meeting. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is exercised in accordance with the instructions on the proxy card or other voting instructions included with the proxy materials, including by attending the Annual Meeting and voting in person.

I appreciate your interest and support of IDT and urge you to vote your shares either in person or by granting your proxy (by telephone, Internet or mail) as promptly as possible.

Sincerely,

Howard S. Jonas

Chairman of the Board of Directors

IDT CORPORATION

520 Broad Street

Newark, New Jersey 07102

(973) 438-1000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE: 10:30 a.m., local time, on Thursday, December 14, 2006

PLACE: IDT Corporation, 520 Broad Street, Newark, New Jersey 07102

- ITEMS OF BUSINESS:**
1. To elect seven directors, each for a term of one year.
 2. To approve an amendment to the Company's Restated Certificate of Incorporation, as amended, to increase the number of shares of Class B Common Stock authorized for issuance by 100,000,000.
 3. To approve amendments to the IDT Corporation 2005 Stock Option and Incentive Plan that will, among other things, increase the number of shares of the Company's Class B Common Stock available for the grant of awards thereunder by an additional 1,500,000 shares.
 4. To approve an amendment to the IDT Corporation Employee Stock Purchase Plan that will increase the number of shares of the Company's Class B Common Stock available for issuance thereunder by an additional 750,000 shares.
 5. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the Fiscal Year ending July 31, 2007.
 6. To transact other business as may properly come before the annual meeting and any adjournment or postponement thereof.

RECORD DATE: You can vote if you were a stockholder of record on October 20, 2006.

PROXY VOTING: It is important that your shares be represented and voted at the annual meeting. You can vote your shares by completing and returning your proxy card. Most stockholders also have the options of voting their shares on the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on your proxy card or included with your proxy materials. You can revoke a proxy at any time prior to its exercise at the annual meeting of stockholders by following the instructions in the accompanying Proxy Statement.

BY ORDER OF THE BOARD OF DIRECTORS

Joyce J. Mason
Executive Vice President, General Counsel and Secretary

Newark, New Jersey

November [], 2006

IDT CORPORATION

520 Broad Street

Newark, New Jersey 07102

(973) 438-1000

GENERAL INFORMATION

General Information

This Proxy Statement is furnished to the stockholders of IDT Corporation, a Delaware corporation (the *Company* or *IDT*), in connection with the solicitation by the *Company*'s Board of Directors (the *Board of Directors*) of proxies for use in voting at the *Company*'s Annual Meeting of Stockholders (the *Annual Meeting*). The Annual Meeting will be held on Thursday, December 14, 2006 at 10:30 a.m., local time, at the *Company*'s headquarters located at 520 Broad Street, Newark, New Jersey 07102. The shares of the *Company*'s common stock, par value \$0.01 per share (*Common Stock*), Class A common stock, par value \$0.01 per share (*Class A Common Stock*), and Class B common stock, par value \$0.01 per share (*Class B Common Stock*), present at the Annual Meeting or represented by the proxies received by telephone, Internet or mail (properly marked, dated and executed) and not revoked will be voted at the Annual Meeting.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is exercised by delivering to the *Company* (to the attention of Joyce J. Mason, Esq., Executive Vice President, General Counsel and Corporate Secretary) a written notice of revocation or by executing a later-dated proxy by telephone, Internet or mail, or by attending the Annual Meeting and voting in person.

The *Company* anticipates mailing this Proxy Statement and related forms of proxy, along with a copy of the *Company*'s Annual Report on Form 10-K to its stockholders on or about November [], 2006.

Solicitation and Voting Procedures

This solicitation of proxies is being made by the *Company*. The solicitation is being conducted by mail and by e-mail, and the *Company* will bear all attendant costs. These costs will include the expense of preparing and mailing proxy materials for the Annual Meeting and any reimbursements paid to brokerage firms and others for their expenses incurred in forwarding the solicitation materials regarding the Annual Meeting to the beneficial owners of Common Stock, Class A Common Stock and Class B Common Stock. The *Company* may conduct further solicitations personally, by telephone or by facsimile through its officers, directors and employees, none of whom will receive additional compensation for assisting with the solicitation.

The close of business on Friday, October 20, 2006 has been fixed as the record date (the *Record Date*) for determining the holders of shares of Common Stock, Class A Common Stock and Class B Common Stock entitled to notice of, and to vote at, the Annual Meeting. As of the close of business on the Record Date, the *Company* had 96,981,295 shares issued, of which 81,546,353, the outstanding shares, are entitled to vote at the Annual Meeting, consisting of 15,178,173 shares of Common Stock, 9,816,988 shares of Class A Common Stock and 56,551,192 shares of Class B Common Stock. The remaining 15,434,942 shares issued, consisting of 9,896,687 shares of Common Stock and 5,538,255 shares of Class B Common Stock, are beneficially owned by the *Company*, and are not entitled to vote or to be counted as present at the Annual Meeting for purposes of determining whether a quorum is present. The shares of stock owned by the *Company* will not be deemed to be outstanding for determining whether a majority of the votes cast, or the majority of the outstanding shares of a class, if required, have voted in favor of any proposal.

Stockholders are entitled to one vote for each share of Common Stock held by them, three votes for each share of Class A Common Stock held by them and one-tenth of one vote for each share of Class B Common Stock held by them. The holders of Common Stock, Class A Common Stock and Class B Common Stock will vote as a single body on all matters presented to the stockholders, except that, in addition, the holders of Class B Common Stock will vote as a single class on the approval of Proposal No. 2.

Holders of record of Common Stock, Class A Common Stock and Class B Common Stock as of the Record Date can vote by telephone, on the Internet, by mail or by attending the Annual Meeting and voting by ballot. To vote by phone, call the toll-free telephone number on the proxy card (1-800-PROXIES), and to vote by Internet visit www.voteproxy.com. To vote by mail, mark, date and sign the enclosed proxy card and return it in the postage-paid envelope provided.

Edgar Filing: IDT CORP - Form PRE 14A

Beneficial holders of Common Stock, Class A Common Stock and Class B Common Stock as of the Record Date will receive voting instructions from their bank, broker or other holder of record.

Voting by telephone, Internet or mail will not limit the right of a stockholder of record as of the Record Date to vote in person at the Annual Meeting. If a stockholder's shares are held in the name of a bank, broker or other holder of record, such stockholder must obtain a proxy, executed in his, her or its favor, from the holder of record to be able to vote at the Annual Meeting. All shares for which a proxy has been duly executed and delivered (by telephone, Internet or mail) and not revoked will be voted at the Annual Meeting. If a stockholder of record signs and returns a proxy card but does not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board of Directors.

The presence at the Annual Meeting of a majority of the voting power of the outstanding Common Stock, Class A Common Stock and Class B Common Stock (voting together), either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. The presence at the Annual Meeting of a majority of the voting power of the outstanding Class B Common Stock, either in person or by proxy, will constitute a quorum entitled to take action with respect to the vote of such class on the approval of the proposed amendment to the Company's Restated Certificate of Incorporation, as amended (Proposal No. 2).

If a bank, broker, or other holder of record holds shares of Common Stock, Class A Common Stock or Class B Common Stock in the name of a beneficial owner, the record holder is permitted to vote such shares on the election of directors (Proposal No. 1), the amendment to the Restated Certificate of Incorporation, as amended (Proposal No. 2), and the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm (Proposal No. 5), even if the record holder does not receive voting instructions from the beneficial holder after sending this Proxy to the beneficial holder. Under the New York Stock Exchange rules, brokers may not vote shares on the approval of the amendments to the 2005 Stock Option and Incentive Plan (Proposal No. 3) and the approval of the amendment to the Employee Stock Purchase Plan (Proposal No. 4), absent instructions from the beneficial owner. Without voting instructions from the beneficial owner, a broker non-vote will occur.

A plurality of the votes cast at the Annual Meeting will be required for the election of each candidate to the Board of Directors. This means that the director nominee with the most votes for a particular slot is elected for that slot. Only votes voted for or withheld affect the outcome. Abstentions are not counted for the purposes of the election of directors.

The affirmative vote of a majority of the voting power present at the Annual Meeting will be required for the approval of Proposal Nos. 3, 4, and 5 submitted to the vote of the Company's stockholders. In addition, the affirmative vote of both (i) the holders of a majority of the outstanding shares of Common Stock and Class A Common Stock, voting together as a group, and (ii) the holders of a majority of the outstanding shares of Class B Common Stock, voting as a separate class, will be required for the approval of Proposal No. 2. Abstentions are counted as present at the Annual Meeting for purposes of determining a quorum and have the effect of a vote against any matter as to which they are specified, other than the election of directors. Broker non-votes are not considered shares present and will not affect the outcome of the vote.

Electronic Delivery

This Notice of Annual Meeting and Proxy Statement and the Company's Annual Report (the proxy materials) are available on the Company's web site, www.idt.net/ir. Instead of receiving future copies by mail, stockholders can elect to receive an e-mail that will provide electronic links to the proxy materials and instructions on how to vote. Opting to receive proxy materials online will save the Company the cost of producing and mailing documents.

Stockholders of record can enroll for electronic delivery by visiting www.amstock.com and clicking on Shareholder Account Access. Complete instructions are set forth on the proxy card.

Beneficial stockholders may also have the opportunity to receive copies of the proxy materials electronically. Beneficial stockholders should consult the information provided in the proxy materials mailed to them by their brokers and banks.

Stockholders Sharing the Same Address

We are sending only one copy of the Annual Report and Proxy Statement to stockholders who share the same last name and address, unless they have notified the Company that they want to continue to receive multiple copies. This practice, known as householding, is designed to reduce duplicate mailings and printings and postage costs. However, if any stockholder residing at such address wishes to receive a separate Annual Report or Proxy Statement in the future, he or she may contact Joyce J. Mason, Corporate Secretary, IDT Corporation, 520 Broad Street, Newark, New Jersey 07102, or by phone at (973) 438-1000. The above contact information may also be used by members of the same household currently receiving multiple copies of the Annual Report and Proxy Statement in order to request that only one set of materials be sent in the future.

References to Fiscal Years

The Company's fiscal year ends on July 31 of each calendar year. Each reference to a Fiscal Year refers to the Fiscal Year ending in the calendar year indicated (e.g., Fiscal 2006 refers to the Fiscal Year ended July 31, 2006).

CORPORATE GOVERNANCE

Introduction

The Company has in place a comprehensive corporate governance framework that reflects the corporate governance requirements of the Sarbanes-Oxley Act of 2002, the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended, and the corporate governance listing requirements of the New York Stock Exchange. Consistent with the Company's commitment to strong corporate governance, the Company does not rely, except as described below with regard to (i) the composition of the Nominating Committee and (ii) the Company not having a single Nominating/Corporate Governance Committee, on the exceptions from the New York Stock Exchange's corporate governance listing requirements available to it because it is a controlled company.

In accordance with Sections 303A.09 and 303A.10 of the New York Stock Exchange Listed Company Manual, the Company has adopted a set of Corporate Governance Guidelines and a Code of Business Conduct and Ethics, the full texts of which are available for your review in the Governance section of our website at www.idt.net/ir and which also are available in print to any stockholder upon request to the Corporate Secretary.

The Company qualifies as a controlled company as defined in Section 303A of the New York Stock Exchange Listed Company Manual, because more than 50% of the voting power of the Company is controlled by one individual, Howard S. Jonas, who serves as Chairman of the Board of Directors. Notwithstanding that being a controlled company entitles the Company to exempt itself from the requirement that a majority of its directors be independent directors and that the Compensation Committee and Corporate Governance Committee be comprised entirely of independent directors, the Board of Directors has affirmatively determined that a majority of the members of the Board of Directors are independent in accordance with Section 303A.02 of the New York Stock Exchange Listed Company Manual and that the Compensation Committee and the Corporate Governance Committee are in fact comprised entirely of independent directors. As a controlled company, the Company may, and has chosen to, exempt itself from the New York Stock Exchange requirement that it have a single Nominating/Corporate Governance Committee composed entirely of independent directors. As noted above, and discussed in greater detail below, the Board of Directors maintains a separate Corporate Governance Committee comprised entirely of independent directors, and a Nominating Committee comprised of two management directors.

Director Independence

In addition to the other independence standards of the New York Stock Exchange Listed Company Manual, the Board of Directors uses the following categorical standards in determining the independence of its directors:

1. During the past three years, the Company shall not have employed the director, or, except in a non-officer capacity, any of the director's immediate family members;
2. During the past three years the director shall not have received, and shall not have an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
3. (a) Neither the director nor any of his or her immediate family members shall be a current partner of a firm that is the Company's internal or external auditor, (b) the director shall not be a current employee of such firm, (c) the director shall not have an immediate family member who is a current employee of such firm who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice, and (d) neither the director nor any of his or her immediate family members shall have been, within the last three years, a partner or employee of such firm and personally worked on the Company's audit within that time;
4. Neither the director, nor any of his or her immediate family members, shall be, or shall have been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation (or equivalent) committee;
5. The director shall not be a current employee and shall not have an immediate family member who is a current executive officer of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal

Edgar Filing: IDT CORP - Form PRE 14A

years, exceeds the greater of (a) \$1 million or (b) two percent of the consolidated gross revenues of such other company;

6. During the past five years, the director shall not have had a personal services contract with the Company, the Chairman of the Board, the Chief Executive Officer, or any other executive officer or any affiliate of the Company;

7. The director shall not be an executive officer of a tax exempt organization to which the Company has made contributions in any of the last three fiscal years that have exceeded the greater of (a) \$1 million or (b) two percent of the consolidated gross revenues of such tax exempt organization; and

8. The director shall not, either directly or indirectly as a partner, stockholder or officer of another company, own more than five percent of any class of equity securities of the Company.

The Board of Directors has determined that each of J. Warren Blaker, Rudy Boschwitz, Alan Claman, Saul K. Fenster, James S. Gilmore, III, Slade Gorton, Jack F. Kemp, Jeane J. Kirkpatrick, James R. Mellor, Marc J. Oppenheimer, and Judah Schorr is independent in accordance with the above specified categorical standards and in accordance with the independence requirements of Section 303A.02(b) of the New York Stock Exchange Listed Company Manual and, thus, that a majority of the current Board of Directors and a majority of the director nominees are independent.

Board of Directors and Committees

The Board of Directors held 12 meetings in Fiscal 2006. In Fiscal 2006, each of the Company's directors attended or participated in 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors held during the period in which each such director served as a director and (ii) the total number of meetings held by all committees of the Board of Directors during the period in which each such director served on such committee.

Directors are encouraged to attend the Company's annual meetings of stockholders, and the Company generally schedules a meeting of the Board of Directors on the same date and at the same place as the annual meeting of stockholders to encourage director attendance. All of the directors constituting the Board of Directors at the time of the annual meeting of stockholders for Fiscal 2005 (except Ambassador Jeane J. Kirkpatrick) attended the 2005 annual meeting of stockholders.

Section 303A.03 of the New York Stock Exchange Listed Company Manual requires that the non-management directors of the Company meet at regularly scheduled executive sessions without management. These executive sessions are held at every regularly scheduled meeting of the Board of Directors. Mr. Fenster, a non-management director and the Lead Independent Director, has been appointed the Presiding Director of these executive sessions and has served in that capacity since Michael J. Levitt's resignation in March 2006.

The Board of Directors has established an Audit Committee, a Nominating Committee, a Compensation Committee, a Corporate Governance Committee, and a Technology Committee. The membership, duties and obligations of each of these committees are as follows:

The Audit Committee consists of Messrs. Oppenheimer, Fenster and Blaker, and is responsible for, among other things, the appointment, compensation, removal and oversight of the work of the Company's independent registered public accounting firm. The Audit Committee also oversees management's performance of its responsibility for the integrity of the Company's accounting and financial reporting and its systems of internal controls, the performance of the Company's internal audit function and the Company's compliance with legal and regulatory requirements. The Audit Committee operates under a written Audit Committee charter adopted by the Board of Directors, which is attached hereto as Exhibit E, can be found in the Governance section of our web site, www.idt.net/ir, and is also available in print to any stockholder upon request to the Corporate Secretary. The Audit Committee held 19 meetings during Fiscal 2006. The Board of Directors has determined that (i) all of the members of the Audit Committee are independent within the meaning of the Section 303A.07(b) and Section 303A.02 of the New York Stock Exchange Listed Company Manual and Rule 10A-3(b) of the Securities Exchange Act of 1934, and (ii) that Mr. Oppenheimer qualifies as an audit committee financial expert within the meaning of Item 401(h) of Regulation S-K.

The Nominating Committee is responsible for overseeing nominations to the Board of Directors, including: (i) developing the criteria and qualifications for membership on the Board of Directors, (ii) recommending candidates to fill new or vacant positions on the Board of Directors, and (iii) conducting appropriate inquiries into the backgrounds of potential candidates. The Nominating Committee currently consists of Messrs. Jonas and Courter, neither of whom is independent in accordance with Section 303A.04 of the New York Stock Exchange Listed Company Manual, as the Company, as a controlled company, has chosen to be exempt from such requirement. The Nominating Committee operates under a written charter adopted by the Board of Directors, which can be found in the Governance section of our web site, www.idt.net/ir, and which is also available in print to any stockholder upon request to the Corporate Secretary. The Nominating Committee will consider director candidates recommended by the Company's stockholders. Stockholders may recommend director candidates by contacting the Chairman of the Board as provided under the heading Director Communications. The Nominating Committee considers candidates suggested by its members, other directors,

senior management and stockholders in anticipation of upcoming elections and actual or expected board vacancies. All candidates, including those recommended by stockholders, are evaluated on the same basis in light of the entirety of their credentials and the need of the Board of Directors and the Company. Of particular importance are the candidate's integrity and judgment, professional achievements and experience relevant to the Company's business and strategic challenges, his or her potential contribution to the diversity of the Board of Directors and his or her willingness to devote adequate time to fulfill duties as a director. The Nominating Committee held two meetings in Fiscal 2006.

The Compensation Committee is responsible for, among other things, reviewing and evaluating all compensation arrangements for the executive officers of the Company and administering the Company's 2005 Stock Option and Incentive Plan and the 1996 Stock Option and Incentive Plan, as amended. The Compensation Committee currently consists of Messrs. Fenster, Blaker and Gilmore. The Compensation Committee held 12 meetings during Fiscal 2006. The Compensation Committee operates under a written charter adopted by the Board of Directors, which can be found in the Governance section of our web site, www.idt.net/ir, and which is also available in print to any stockholder upon request to the Corporate Secretary. The Board of Directors has determined that all of the members of the Compensation Committee are independent within the meaning of Section 303A.02 of the New York Stock Exchange Listed Company Manual and the categorical standards set forth above.

The Corporate Governance Committee is responsible for, among other things, reviewing and reporting to the Board of Directors on matters involving relationships among the Board of Directors, the stockholders and senior management. The Corporate Governance Committee (i) reviews the Corporate Governance Guidelines of the Company and recommends revisions as appropriate and (ii) oversees the self-evaluations of the Board of Directors, the Audit Committee and the Compensation Committee. The Corporate Governance Committee currently consists of Ambassador Kirkpatrick and Messrs. Boschwitz, Kemp and Gorton. The Corporate Governance Committee operates under a written charter adopted by the Board of Directors, which can be found in the Governance section of our web site, www.idt.net/ir, and which is also available in print to any stockholder upon request to the Corporate Secretary. The Board of Directors has determined that all of the members of the Corporate Governance Committee are independent within the meaning of Section 303A.02 of the New York Stock Exchange Listed Company Manual and the categorical standards set forth above. The Corporate Governance Committee held six meetings in Fiscal 2006.

The Technology Committee is responsible for reviewing, analyzing and reporting to the Board of Directors on (i) the overall role of technology and its use throughout the Company, (ii) the state of the Company's present technology infrastructure and its existing and planned research and development efforts, (iii) the committee's evaluation of the Company's operational risks and the Company's responses thereto, (iv) the scope, direction, quality, investment levels and execution of the Company's technology strategies, (v) the Technology Committee's assessment of the scope and quality of the Company's intellectual property, the possible infringement by third parties on the Company's intellectual property and the potential encroachment by the Company on the intellectual property of third parties and (vi) the general oversight of the execution of technology strategies formulated by management. The Technology Committee also establishes appropriate programs, policies and procedures as necessary to further the Company's objectives relating to technology and intellectual property. The Technology Committee currently consists of Messrs. Blaker, Fenster and Kaganoff. The Technology Committee operates under a written charter adopted by the Board of Directors, which can be found in the Governance section of our web site, www.idt.net/ir, and which is also available in print to any stockholder upon request to the Corporate Secretary.

Director Communications

Stockholders and other interested parties may communicate with: (i) the Board of Directors by contacting the Chairman of the Board; (ii) the non-management directors by contacting the Lead Independent Director; and (iii) the Audit, Compensation or Corporate Governance Committees of the Board of Directors by contacting the Chairs of such committees. All communications should be in writing, should indicate in the address whether the communication is intended for the Lead Independent Director, the Chairman of the Board, or a Committee Chair, and should be directed care of IDT Corporation's Corporate Secretary, Joyce J. Mason, Esq., Stockholder Communications, IDT Corporation, 520 Broad Street, Newark, New Jersey 07102.

The Corporate Secretary will relay correspondence (i) intended for the Board of Directors to the Chairman of the Board, who will relay such correspondence to the entire Board of Directors, (ii) intended for the non-management directors to the Lead Independent Director, and (iii) intended for the Audit, Compensation, and Corporate Governance Committees to the Chairs of such committees.

The Corporate Secretary may filter out and disregard (without providing a copy to the directors or advising them of the communication), or may otherwise handle at his or her discretion, any director communication that falls into any of the following categories:

Obscene materials

Unsolicited marketing or advertising material or mass mailings

Unsolicited newsletters, newspapers, magazines, books and publications

Surveys and questionnaires

Resumes and other forms of job inquiries

Requests for business contacts or referrals

Material that is threatening or illegal

Any communications or materials that are not in writing

In addition, the Corporate Secretary may handle in his or her discretion any director communication that can be described as an ordinary business matter. Such matters include the following:

Routine questions, service and product complaints and comments that can be appropriately addressed by management

Routine invoices, bills, account statements and related communications that can be appropriately addressed by management

Non-Employee Director Compensation

Pursuant to the Company's 1996 Stock Option and Incentive Plan, as amended, effective from March 12, 2004 until December 14, 2005, each person who was a non-employee director of the Company or a non-employee director of a non-public, majority-owned subsidiary of the Company received an annual automatic grant consisting of an option to purchase 3,333 shares of Class B Common Stock and 2,666 fully vested restricted shares of Class B Common Stock. In addition, each non-employee director who served as a member of one or more committees of the Board of Directors of the Company as of the annual grant date received an additional annual automatic grant consisting of an option to purchase 3,333 shares of Class B Common Stock and 2,666 fully vested restricted shares of Class B Common Stock. The annual grant date was January 5th (or the next business day thereafter). New non-employee directors received an automatic grant of options and restricted stock on the date that they became a director in the amount specified above, pro rated based on the calendar quarter in which such person became a director.

Pursuant to the Company's 2005 Stock Option and Incentive Plan, approved by the stockholders at the 2005 annual meeting of stockholders held on December 15, 2005, instead of the compensation described in the immediately preceding paragraph, each person who is a non-employee director of the Company or a non-employee director of a non-public, majority-owned subsidiary of the Company will receive, on each annual grant date, an automatic grant of 3,750 fully vested restricted shares of Class B Common Stock. As of September 27, 2006, there were no longer non-employee directors serving on the Board of Directors of any of the Company's subsidiaries. In addition, each non-employee director who serves as a member of one or more committees of the Board of Directors of the Company as of the annual grant date will receive an additional annual automatic grant of 3,750 fully vested restricted shares of Class B Common Stock. The annual grant date will be January 5th (or the next business day thereafter). New non-employee directors receive an automatic grant on the date that they become a director in the amount specified

Edgar Filing: IDT CORP - Form PRE 14A

above, pro rated based on the calendar quarter of the year in which such person became a director.

All such grants of options and restricted stock to non-employee directors are subject to certain terms and conditions (including, without limitation, a term of ten years for options and limitations on exercisability of options following cessation of service with the Company as a director) described in the Company's 1996 Stock Option and Incentive Plan, as amended, or the Company's 2005 Stock Option and Incentive Plan, as applicable. The option price for options granted to non-employee directors is equal to the fair market value of the Class B Common Stock as defined in the 1996 Stock Option and Incentive Plan, as amended, or the 2005 Stock Option and Incentive Plan, as applicable.

Each non-employee director of the Company who attends at least 75% of the meetings of the Board of Directors during a calendar year also receives an annual retainer of \$25,000. Each non-employee director of the Company's non-public, majority-owned subsidiaries who attended at least 75% of the meetings of the board of directors of such subsidiary during a calendar year received an annual retainer of \$15,000. Such payment is made in January of the calendar year following attendance of at least 75% of the Board meetings the preceding year, and is pro-rated for non-employee directors who joined a board of directors during the prior year if such

director attended 75% of the applicable board meetings for such partial year. The cash payment for the following calendar year's service is awarded on or about the same date as the automatic restricted stock grant is given. As of September 27, 2006, there were no longer non-employee directors serving on the board of directors of any of the Company's subsidiaries. The Company's Chief Executive Officer may, in his discretion, waive the requirement of 75% attendance by a director to receive the annual retainer in the case of mitigating circumstances. In addition, non-employee directors who serve on committees of the Board of Directors receive \$1,000 for each committee meeting they attend in person (\$2,000 in the case of the Audit Committee) and \$500 (\$1,000 in the case of the Audit Committee) for each committee meeting in which they participate by telephone. Prior to April 2006, Michael Levitt, who was then serving as the Lead Independent Director and the Audit Committee financial expert, was paid an additional \$75,000 per year in recognition of his significant additional responsibilities. From and after April 2006, Saul Fenster has been the Lead Independent Director and Marc J. Oppenheimer has been the Audit Committee's financial expert. In recognition of their additional responsibilities, from and after April 2006, the Lead Independent Director of the Board of Directors receives an additional retainer of \$37,500 per year and the Audit Committee's financial expert receives an additional retainer of \$37,500 per year. All such additional fees payable to the Lead Independent Director and the Audit Committee's financial expert are pro rated for any partial years served in such position.

Stock Ownership Guidelines for Directors

On March 16, 2006, the Board of Directors adopted stock ownership guidelines to further align the interests of its directors and executive officers with the interests of stockholders and to further promote IDT's commitment to sound corporate governance.

Directors are required to hold shares of IDT stock with a value equal to three times the amount of the annual cash retainer paid to directors. Directors are required to achieve the guideline's holding requirements within five years of joining the Board of Directors, or, in the case of directors serving at the time the guidelines were adopted on March 16, 2006, by March 15, 2011.

Shares of IDT stock that count towards satisfaction of the stock ownership guidelines include:

Shares owned by the director or his or her immediate family members residing in the same household;

Shares held in trust for the benefit of the director or his or her family;

Restricted shares (whether or not vested) owned by the director or his or her immediate family members residing in the same household; and

In-the-money value of vested stock options owned by the director or his or her immediate family members residing in the same household.

The guidelines may be waived, at the discretion of the Corporate Governance Committee of the Board of Directors, if compliance would create severe hardship or prevent a director from complying with a court order, as in the case of a divorce settlement. It is expected that these instances will be rare.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Pursuant to the Company's Restated Certificate of Incorporation, as amended, the authorized number of directors on the Board of Directors is seventeen, with the number to be set by the Board of Directors from time to time. There are currently fifteen directors on the Board of Directors and two vacancies. There are seven nominees standing for election at the Annual Meeting.

The current terms of all of the directors expire at the Annual Meeting. The following directors will not stand for re-election: Ira A. Greenstein, Stephen R. Brown, Joyce J. Mason, J. Warren Blaker, Rudy Boschwitz, Saul K. Fenster, James S. Gilmore, III, Jack F. Kemp, Jeane J. Kirkpatrick, Moshe Kaganoff and Slade Gorton. The nominees to the Board of Directors are Alan Claman, James A. Courter, Howard S. Jonas, Marc E. Knoller, James R. Mellor, Marc J. Oppenheimer and Judah Schorr, each of whom has consented to be named in this proxy statement and to serve if elected. Brief biographical information about the nominees for directors is furnished below. Each of the nominees is currently serving as a director of the Company, except for Alan Claman, James R. Mellor and Judah Schorr.

Each of these director nominees is standing for election for a term of one year until the 2007 annual meeting of stockholders, or until their successors are duly elected and qualified or until their earlier resignation or removal. A plurality of the votes cast at the Annual Meeting shall elect each director. Stockholders may not vote for more than seven persons, which is the number of nominees identified herein.

Alan Claman is President and director of Todah L. Tzahal, an Israeli charity he founded in 2001. He also serves as a director of Dor L. Dor, a private U.S. charity. In 1981 Mr. Claman founded, and until 1997 served, as President of Aerospace International Sales, a California-based aerospace company. Mr. Claman continues to provide consulting services to the aerospace industry. Mr. Claman is an investor and developer of real estate within the United States and Israel. From 1975 to 1981, Mr. Claman was in private practice at The Law Offices of Alan Claman, a general law practice in California emphasizing commercial and residential real estate development, business representation and mining entities, private securities transactions, and corporate finance and operations. From 1971-1975, Mr. Claman was an Administrator and Chief Financial Officer of the Robert F. Kennedy Memorial Hospital, an acute treatment hospital in Los Angeles, California. Mr. Claman holds a B.A. in Economics from the University of California at Los Angeles and a J.D. from Harvard Law School.

James A. Courter joined the Company in October 1996 and served as President of the Company from October 1996 until July 2001. Since August 2001, Mr. Courter has served as the Chief Executive Officer of the Company. Mr. Courter has also been a director of the Company since March 1996 and has been Vice Chairman of the Board of Directors of the Company since March 1999. In addition, since December 1999, Mr. Courter has served as a director of IDT Telecom, Inc. and as a director of Net2Phone, Inc., and has served as a director of IDT Capital, Inc. since September 2004. Mr. Courter served as the Vice Chairman of IDT Entertainment, Inc. from November 2003 to August 2006. Mr. Courter has been a senior partner in the New Jersey law firm of Courter, Kobert & Cohen since 1972. He was also a partner in the Washington, D.C. law firm of Verner, Liipfert, Bernhard, McPherson & Hand from January 1994 to September 1996. Mr. Courter was a member of the U.S. House of Representatives for 12 years, retiring in January 1991. From 1991 to 1994, Mr. Courter was Chairman of the President's Defense Base Closure and Realignment Commission. Mr. Courter also serves as a director of The Berkeley School. He received a B.A. from Colgate University and a J.D. from Duke University Law School.

Howard S. Jonas founded IDT in August 1990 under the name International Discount Telecommunications, Corp., the predecessor to IDT, and has served as Chairman of the Board of Directors since its inception. Mr. Jonas served as Chief Executive Officer of the Company from December 1991 until July 2001, as President of the Company from December 1991 through September 1996, and as Treasurer of the Company from inception through 2002. Mr. Jonas has also served as the Chairman of the Board of Directors of IDT Telecom, Inc. since December 1999 and as a director of IDT Capital, Inc. since September 2004. Mr. Jonas served as Co-Chairman of the Board of Directors of IDT Entertainment, Inc. from November 2004 until August 2006. Since August 2006, Mr. Jonas has been a director of Starz Media Holdings, LLC, Starz Media, LLC and Starz Foreign Holdings, LLC, each of which is a subsidiary of Liberty Media Corporation. Mr. Jonas is also the founder and has been President of Jonas Publishing since its inception in 1979. Mr. Jonas was the Chairman of the Board of Directors of Net2Phone from October 2001 to October 2004, the Vice Chairman of the Board of Directors of Net2Phone from October 2004 to June 2006, and has served as the Chairman of Net2Phone since June 2006. Mr. Jonas received a B.A. in Economics from Harvard University.

Marc E. Knoller has been a director of the Company since March 1996 and an Executive Vice President since December 1998. Mr. Knoller joined the Company as a Vice President in March 1991 and also served as a director of its predecessor from such time. Mr. Knoller has served as Vice President of Jonas Publishing from 1991 until the present. Mr. Knoller received a B.B.A. from Baruch College.

James R. Mellor has been the Chairman of USEC, Inc. (NYSE: USU), a global energy company, since 1998 and previously served as its Chairman and Chief Executive Officer. Mr. Mellor retired as Chairman and Chief Executive Officer of General Dynamics Corporation in 1997 and held various positions at General Dynamics from 1981 to 1997. Mr. Mellor was also the President and Chief Operating Officer of AM International, Inc. and was a director from 1977 to 1981. Prior to 1981, Mr. Mellor spent 18 years with Litton Industries in a variety of engineering and management positions, including Executive Vice President of Litton's Defense Group from 1973 to 1977. Mr. Mellor was also with Hughes Aircraft Company from 1955 to 1958. Mr. Mellor was a consultant to the Department of Defense from 1972 to 1975. He also served as Chairman of the Shipbuilders Council of America, Chairman of the Computer and Business Equipment Manufacturers Association, and as a member of the Board of Directors of the Armed Forces Communications and Electronics Association, the National Security Industrial Association, the Navy League of the United States, the Board of Councilors of the University of Southern California Business School, and the Board of Trustees of Loyola Marymount University. Mr. Mellor is a member of the National Advisory Council of the University of Michigan, and a member of the United States-Egypt Presidents Council. He is presently on the Boards of Directors of USEC, Inc., the Scripps Research Institute, and Materia, Inc. He served on the Boards of Directors of IDT Corporation from 1997 to 1999 and Net2Phone from 1999 to 2006. He is presently on the Board of Trustees of the University of California - Irvine, the National Museum of American History and the National Endowment for the Humanities. Mr. Mellor graduated from the University of Michigan in 1952 with a B.S. in Electrical Engineering and Mathematics. He was awarded a Master of Science degree from the same university in 1953.

Marc J. Oppenheimer has been a director of the Company since April 2006 and has served on either the Company's or its subsidiaries' boards since December 2002. Mr. Oppenheimer is President of Octagon Associates, Inc., a merchant banking and financial/strategic advisory firm. Until mid-2006, he was Executive Vice President of Kenmar Global Investment Management, Inc., and a Managing Director of Kenmar-Nihon Venture Capital, LLC. Kenmar is a global asset management firm managing \$2.4 billion in assets. He has had significant operating and financial positions throughout his 27-year career. Mr. Oppenheimer was previously the President and Chief Executive Officer of Crystallex International Corporation, an international gold mining company primarily focused in Venezuela, from February 1995 to September 2003 and served as its Vice Chairman from September 2003 to May 2004. He started his financial career as a credit officer at The Chase Manhattan Bank, N.A. specializing in lending to the middle market and international commodity firms. Mr. Oppenheimer also served as the director of Trade and Merchant Banking for Midlantic National Bank, an institution with assets of \$29 billion. Mr. Oppenheimer serves on the Boards of Directors of Crystallex International Corporation (AMEX: KRY) and Xethanol Corporation (AMEX: XNL). Mr. Oppenheimer has a B.S. with Honors in Management and Industrial Relations from New York University as well as an MBA with Honors in Finance from New York University.

Judah Schorr founded Judah Schorr MD PC in 1994, an anesthesia provider to hospitals, ambulatory surgery centers and medical offices, and has been its President and owner since its inception, as well as the President of its subsidiary, Tutto Anesthesia. Dr. Schorr is the Director of Anesthesia Services at Bergen Regional Medical Center, the largest hospital in the state of New Jersey, and the Managing Partner of Chavrusa Realty Corp., a commercial real-estate company in Long Island, New York. Dr. Schorr received his B.S. in Psychology from Brooklyn College and his M.D. from the University of Trieste Faculty of Medicine and Surgery in Italy.

The Board of Directors has no reason to believe that any of the persons named above will be unable or unwilling to serve as a director, if elected.

Directors and Executive Officers

The director nominees and executive officers of the Company are as follows:

Name	Age	Position
Howard S. Jonas	50	Chairman of the Board of Directors and Director Nominee
James A. Courter	65	Chief Executive Officer and Vice Chairman of the Board of Directors and Director Nominee
Ira A. Greenstein	46	President
Morris Lichtenstein	42	Chief Operating Officer
Marcelo Fischer	39	Chief Financial Officer and Treasurer
Mitch Silberman	38	Chief Accounting Officer and Controller
Joyce J. Mason	47	General Counsel, Executive Vice President and Secretary
Ely D. Tendler	38	Chief Legal Officer
Douglas W. Mauro	64	Chief Tax Officer
Marc E. Knoller	45	Executive Vice President and Director Nominee
Yona Katz	36	Executive Vice President of Business Development
Morris Berger	48	Executive Vice President of Business Development
Kathleen B. Timko	46	Executive Vice President of Technology
Moshe Kaganoff	35	Executive Vice President of Strategic Planning
Alan Claman	60	Director Nominee
James R. Mellor	76	Director Nominee
Marc J. Oppenheimer	49	Director Nominee
Judah Schorr	54	Director Nominee

Set forth below is biographical information with respect to the Company's current directors and executive officers, except for the director nominees, whose information is set forth above:

Ira A. Greenstein joined the Company in January 2000 and served as Counsel to the Chairman until July 2001. Since August 2001, Mr. Greenstein has served as the President of the Company and since December 2003 he has also served as a director of the Company. Prior to joining the Company, Mr. Greenstein was a partner in the law firm of Morrison & Foerster LLP from February 1997 to November 1999, where he served as the Chairman of that firm's New York Office's Business Department. Concurrently, Mr. Greenstein served as General Counsel and Secretary of Net2Phone, Inc. from January 1999 to November 1999. Prior to 1997, Mr. Greenstein was an associate in the New York and Toronto offices of Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Greenstein also served on the Securities Advisory Committee and as secondment counsel to the Ontario Securities Commission. Mr. Greenstein serves on the Board of Directors of Document Security Systems, Inc. (AMEX:DMC), the Board of Advisors of the Columbia Law School Center on Corporate Governance and as Chairman of the Board of Broadband Maritime, Inc. Mr. Greenstein received a B.S. from Cornell University and a J.D. from Columbia University Law School.

Morris Lichtenstein has served as the Chief Operating Officer of the Company since January 2006. Prior to that, he served as the Company's Executive Vice President of Business Development from January 2000 until January 2006, and as the Company's Controller from January 1999 to December 1999. Mr. Lichtenstein also served as the Chief Executive Officer and as the Vice Chairman of the Board of Directors of IDT Telecom, Inc. from May 2001 until December 2005. Mr. Lichtenstein received a B.A. from Touro College.

Marcelo Fischer has served as the Company's Chief Financial Officer and Treasurer since June 2006. Mr. Fischer served as the Company's Controller from May 2001 until June 2006 and as Chief Accounting Officer from December 2001 until June 2006. Prior to joining the Company, Mr. Fischer was the Corporate Controller of Viatel, Inc. from 1999 until 2001. From 1998 through 1999, Mr. Fischer was the Controller of the Consumer International Division of Revlon, Inc. From 1991 through 1998, Mr. Fischer held various accounting and finance positions at Colgate-Palmolive Corporation. Mr. Fischer, a Certified Public Accountant, received an M.B.A. degree in Finance and Accounting from New York University Stern School of Business and a B.A. in Economics from the University of Maryland.

Mitch Silberman has served as the Company's Chief Accounting Officer and Controller since June 2006. Mr. Silberman joined the Company in October 2002 and held various positions, including Director of Financial Reporting and Assistant Controller, until June 2006. Prior to joining IDT, Mr. Silberman was a senior manager at KPMG LLP. Mr. Silberman, a Certified Public Accountant, received a B.S. in Accounting from Brooklyn College and has over 15 years of accounting and finance experience.

Joyce J. Mason has served as an Executive Vice President of the Company since December 1998, as General Counsel, Secretary and a director of the Company since its inception and as a director of the Company's predecessor since its inception. In addition, Ms. Mason served as a director of IDT Telecom, Inc. from December 1999 until May 2001 and as a director of Net2Phone, Inc. from October 2001 until October 2004. Prior to joining the Company, Ms. Mason had been in private legal practice. Ms. Mason received a B.A. from the City University of New York and a J.D. from New York Law School.

Elly D. Tendler has been Chief Legal Officer of the Company since June 2005. He first began working for the Company's subsidiary, IDT Telecom, Inc., as Senior Vice President and Senior Corporate Counsel in January 2003, and later became IDT Telecom's Executive Vice President, General Counsel and Secretary. Prior to joining the Company, Mr. Tendler was an attorney with the New York office of Kramer Levin since 1994, specializing in M&A and securities transactions. Mr. Tendler received a B.A. from Yeshiva University and a J.D. from Yale Law School.

Douglas W. Mauro has been Chief Tax Officer of the Company since March 2005. He joined IDT in 1999 and is responsible for all tax matters for the Company. Mr. Mauro has over 25 years experience in corporate taxation. Mr. Mauro's prior experience includes Vice President, Tax for ICN Pharmaceuticals in Costa Mesa, California and extensive experience in international taxes at various pharmaceutical companies where he served as the top tax officer. Mr. Mauro received a B.B.A. in Accounting from Hofstra University and an M.B.A. in Tax from New York University Stern School of Business.

Yona Katz has been Executive Vice President of Business Development of the Company since January 2006. Mr. Katz has also served as the Chief Executive Officer and Treasurer of IDT Telecom, Inc. since December 2005. Prior to that position, he served as IDT Telecom's Executive Vice President from December 2001 until December 2005 and as its Chief Operating Officer from February 2003 until December 2005. Mr. Katz has a B.S. in Mathematics from Touro College and an M.B.A. in Finance from Baruch College.

Morris Berger has served as Executive Vice President of Business Development of the Company since May 2003. Mr. Berger also served as the Chief Executive Officer of IDT Entertainment, Inc. from December 2003 until August 2006 and as a director of IDT Entertainment, Inc. from June 2004 until August 2006. From October 2003 until December 2003, Mr. Berger also served as the Executive Vice President of the Animation Division of IDT Media, Inc. (the predecessor to IDT Entertainment). From September 2002 until October 2003, Mr. Berger served as the Executive Vice President, Marketing of IDT Media, Inc. Prior to joining the Company in 2001, Mr. Berger was the Chief Marketing Officer of Net2Phone, Inc. from 1999 until 2001. Prior to that, Mr. Berger served as Chief Executive Officer and Founder of Multi-Media Tutorial Services, a publicly traded educational direct marketing company. Mr. Berger graduated from Bar Ilan University in Israel in 1979.

Kathleen B. Timko has been Executive Vice President of Technology of the Company since September 2004. Ms. Timko has also served as the Chief Operating Officer of IDT Telecom, Inc. since March 2006 and as a director of IDT Telecom since May 2001. She was the Chief Technology Officer of IDT Telecom from October 2003 to June 2006. In addition to technology oversight at the corporate level, Ms. Timko is responsible for all commercial and technical operations of IDT Telecom's global businesses, including product development, commercial/retail operations, and the technical development and support of the Company's global telecommunications networks and information systems. Prior to joining IDT, Ms. Timko served in several technology and management positions at Call Sciences, Bellcore and BBN, Inc. Ms. Timko holds an M.S. in Computer Science from Boston University and a B.S. in Mechanical Engineering from Virginia Polytechnic Institute and State University.

Moshe Kaganoff has served as the Company's Executive Vice President of Strategic Planning since January 2000 and has been a director of the Company since March 1999. Mr. Kaganoff has served as a director of IDT Capital, Inc. since September 2004. From April 1994 through July 1998, Mr. Kaganoff served as the Company's Manager of Operations. From August 2001 through December 2004, Mr. Kaganoff also served as Executive Vice President of Strategic Planning for IDT Telecom, Inc. Mr. Kaganoff holds a B.A. in Economics from Yeshiva University.

Stephen R. Brown joined the Company in May 1995 as its Chief Financial Officer and served until May 2006. Mr. Brown has been a director of the Company since February 2000 and a Senior Vice President of the Company since September 2006. From June 2002 until May 2006, Mr. Brown served as the Treasurer of the Company and, from November 2003 until August 2006, served as Co-Chairman of the Board of Directors of IDT Entertainment, Inc. Mr. Brown also served as the President and Treasurer of IDT Entertainment, Inc. from December 2002 until August 2006. Mr. Brown was a director of Net2Phone, Inc. from October 2001 to October 2004.

J. Warren Blaker has served as a director of the Company since March 1996. Dr. Blaker was a Professor of Physics and Director of the Center for Lightwave Science and Technology at Fairleigh Dickinson University from 1987 to 2006 and is now Professor Emeritus. Prior to such time, Dr. Blaker worked in various capacities in the optics industry, including serving as Chief Executive Officer of University Optical Products, Inc., a wholly owned subsidiary of University Patents, Inc., from 1982 to 1985. Dr. Blaker received a B.S. from Wilkes University and a Ph.D. from the Massachusetts Institute of Technology.

Rudy Boschwitz has served as a director of the Company since December 2002. From June 2002 until December 2002, Senator Boschwitz served on the Board of Directors of IDT Media, Inc. He was first elected to the United States Senate from Minnesota in 1978. He was re-elected in 1984 and served until 1991. Senator Boschwitz was elected by his Senate colleagues to a leadership position in 1987. He is currently Chairman of the Advisory Committee of the Center for Global Food Issues, a director of Friends of the World Food Program (a United Nations Agency), the Hudson Institute and has served on numerous other corporate, community and religious organization boards. Senator Boschwitz is the Founder and currently Chairman of Home Valu, Inc. He served as the U.S. Ambassador to the United Nations Commission on Human Rights in 2005. After the 2000 election he was a member of the Carter-Ford Federal Election Reform Commission. Senator Boschwitz received his B.S. from New York University School of Commerce and his LL.B. from New York University School of Law.

Saul K. Fenster has served as a director of the Company since February 2000. Dr. Fenster served as President of New Jersey Institute of Technology from September 1978 through June 2002 and is now President Emeritus. Dr. Fenster serves as a director for each of the following Prudential Insurance Company funds: Prudential VCA Funds, Prudential Gibraltar Fund, Prudential Series Funds and American Skanda Trust Portfolios. He is also a Trustee of the Leir and Ridgefield Foundations. Dr. Fenster received a B.M.E. from the City College of New York, an M.S. from Columbia University and a Ph.D. from the University of Michigan.

James S. Gilmore, III has served as a director of the Company since September 2003. Mr. Gilmore is presently a partner at the Washington office of the law firm of Kelley Drye Collier Shannon, where he chairs the Homeland Security Practice Group, and is President of USA Secure. From 1998 to 2002, Mr. Gilmore was Governor of Virginia and was in office when the Pentagon was attacked on Sept. 11, 2001. Since 1999, Mr. Gilmore has been the Chairman of the Congressional Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, also known as the Gilmore Commission, and Chairman of the National Council on Readiness and Preparedness. Mr. Gilmore serves as Chairman of the Board of Visitors of the United States Air Force Academy at the pleasure of the President of the United States. Mr. Gilmore also serves as a director of the following companies: Atlas Air Worldwide Holdings, Inc. (NASDAQ:AAWW), Barr Pharmaceuticals Inc. (NYSE:BRL), and Cypress Telecommunications. He is also on the advisory committees of the following companies: Lucent Technologies, Inc., Computer Sciences Corporation, Unysis Corp. and Lenoxworks. Mr. Gilmore received an undergraduate degree in Foreign Affairs from the University of Virginia in 1971. After serving three years as a counterintelligence agent for the U.S. Army, Mr. Gilmore completed his law degree from the University of Virginia in 1977.

Slade Gorton has served as a director of the Company since October 2005. Mr. Gorton is currently Of Counsel at the law firm of Preston Gates & Ellis LLP. Prior to his current position, Mr. Gorton spent 18 years representing Washington State in the United States Senate. From 1995 to 1999, Mr. Gorton served as the Chairman of the Interior Appropriations Subcommittee and on the Commerce Subcommittees on Consumer Affairs, and from 1999 to 2000, he served as Chairman of the Aviation Subcommittee. He was a member of the Republican leadership as counsel to the Majority Leader from 1996 to 2000. Mr. Gorton also served on the President's consumer Advisory Council from 1975 to 1977 and on the Washington State Criminal Justice Training Commission from 1969 to 1981. He was Chairman of the Washington State Law & Justice Commission from 1969 to 1976, served as an instructor in Constitutional Law to public administration graduate students at the University of Puget Sound in 1977, and has served on the Board of the Fred Hutchinson Cancer Research Center. Mr. Gorton is also a director of Microvision, Inc., a manufacturer of specialized optical and scanning equipment. He served on the National Commission on Federal Election Reform and the National Commission on Terrorists Attacks Upon the United States from 2002 to 2004. Mr. Gorton received his B.A., magna cum laude, from Dartmouth College in 1950, Phi Beta Kappa and his LL.B. from Columbia University in 1953.

Jack F. Kemp has served as a director of the Company since April 2003. From October 2001 through April 2003, Mr. Kemp served on the Board of Directors of IDT Telecom, Inc. Mr. Kemp had also previously served on the Board of Directors of IDT Media, Inc. Mr. Kemp is Founder and Chairman of Kemp Partners, a strategic consulting firm which seeks to provide clients with strategic counsel, relationship development and marketing advice in helping them accomplish business and policy objectives. Mr. Kemp served four years as Secretary for Housing and Urban Development under President George H. Bush and authored the Enterprise Zones legislation to encourage entrepreneurship and job creation in urban America. In 1995, Mr. Kemp served as Chairman of the National Commission on Economic Growth and Tax Reform and in August 1996 received the Republican Party's nomination for Vice President. Prior to serving in President Bush's cabinet, Mr. Kemp was a member of the U.S. House of Representatives from 1971 to

1989, representing the Buffalo area and Western New York. Mr. Kemp serves as a director of the following companies: Hawk Corporation manufacturing products, Oracle Corporation software systems, Toyota North American, Divers of Advisory Council automotive industry, Imphonic telecommunications/wireless industry, Worldspace satellite communications, and Six Flags theme parks. Mr. Kemp received his B.S. in physical education from Occidental College in 1957.

Jeane J. Kirkpatrick has served as a director of the Company since September 2004. Ambassador Kirkpatrick is currently the President of the Helen Dwight Reid Foundation. Prior to her current position, Ambassador Kirkpatrick was a Senior Fellow at the American Enterprise Institute. In 2003, Ambassador Kirkpatrick headed the U.S. delegation to the Human Rights Commission. In 2002, the Council on Foreign Relations established the Jeane J. Kirkpatrick Chair in National Security, and in 1999 the Kennedy School at Harvard University established the Kirkpatrick Chair in International Affairs. She held the Leavey Chair of Government at Georgetown University from 1978 to 2005. In 1992, Ambassador Kirkpatrick chaired the Secretary of Defense Commission on Fail Safe and Risk Reduction of the Nuclear Command and Control System. From 1985 to 1993, Ambassador Kirkpatrick served on the Defense Policy Review Board and from 1985 to 1990 she served as a member of the President's Foreign Intelligence Advisory Board. Ambassador Kirkpatrick was the permanent representative of the United States to the United Nations and was a member of President Ronald Reagan's Cabinet and National Security Council. Ambassador Kirkpatrick received an A.B. from Barnard College, M.A. and Ph.D. degrees from Columbia University, and studied at the Institute de Science Politique in Paris.

Relationships among Directors or Executive Officers

Mr. Howard S. Jonas and Ms. Joyce J. Mason are brother and sister. There are no other familial relationships among any of the directors or executive officers of the Company.

Certain Relationships and Related Transactions

Transactions with Management and Others

On November 10, 2005, the Company commenced a tender offer for all outstanding shares of common stock of Net2Phone not owned by the Company or its affiliates, at a price of \$2.05 per share. Prior to the tender offer, IDT owned 40.2% of the outstanding shares of common stock of Net2Phone. During the second quarter of Fiscal 2006, the Company purchased 33.2 million shares of Net2Phone, which were validly tendered in the offer, for a total purchase price of \$68.3 million, of which \$221,830 was paid to officers, directors and director nominees of the Company for shares or in-the-money-options to purchase shares of Net2Phone. Dimensional Funds, a beneficial owner of more than 5% of the outstanding shares of a class of the Company's capital stock, owned 2,437,321 shares of common stock of Net2Phone as of September 30, 2005 and 0 shares of Net2Phone on December 31, 2005, according to Forms 13F filed on October 19, 2005 and February 6, 2006, respectively. Oppenheimer Funds, Inc., a beneficial owner of more than 5% of the outstanding shares of a class of the Company's capital stock, owned 1,769,200 shares of common stock of Net2Phone as of September 30, 2005 and 0 shares of Net2Phone on December 31, 2005, according to Forms 13F filed on October 11, 2005 and January 17, 2006, respectively. The shares of Net2Phone common stock owned by Dimensional Funds and Oppenheimer Funds may have been tendered in the tender offer; however, the Company has not been able to confirm this information. See Security Ownership of Certain Beneficial Owners and Management for Dimensional Funds and Oppenheimer Funds, Inc.'s ownership of the Company's capital stock. On March 13, 2006, the Company and Net2Phone consummated a merger transaction in which the Company acquired all remaining outstanding shares of Net2Phone. All previously issued and outstanding shares of Net2Phone, other than shares held by the Company or its subsidiaries, were canceled and converted automatically into the right to receive \$2.05 per share in cash for a total purchase price of \$28.8 million. As a result of the merger, Net2Phone is a wholly owned subsidiary of the Company and Net2Phone's common stock is no longer publicly traded.

On February 1, 2006, the Company commenced a tender offer to purchase from eligible option holders outstanding stock options to purchase shares of its Class B Common Stock at a cash purchase price equal to \$2.00 net per share underlying such options. The tender offer closed on May 22, 2006. Pursuant to the tender offer, the Company purchased stock options to purchase 2,091,324 shares of its Class B Common Stock from directors and officers of the Company. For more information on options tendered by Named Executive Officers, please see Executive Compensation Option Exercises in Last Fiscal Year and Fiscal Year-End Values below. In the tender offer, the Company purchased stock options to purchase a total of 7.9 million shares for a total purchase price of \$15.8 million.

In Fiscal 2006, the Company billed \$193,749 for connectivity and other services it provided to Jonas Publishing, which is owned by Howard S. Jonas, the Chairman of the Board of Directors. As of July 31, 2006, Jonas Publishing owed the Company approximately \$229,663. Marc Knoller, Executive Vice President and a Director of the Company, received \$78,000 in compensation from Jonas Publishing in Fiscal 2006.

The Company, through its subsidiary, CTM Brochure Display, Inc. (CTM), distributes brochures for a brochure distribution firm controlled by Howard S. Jonas. The distribution firm also distributes brochures for CTM. In Fiscal 2006, the Company (through

CTM) billed the distribution firm \$19,627 for distribution services and the distribution firm billed the Company \$135,612 for distribution services. The net balance owed to the Company by the distribution firm was \$2,853 as of July 31, 2006.

The Company obtains insurance policies from several insurance brokers. In Fiscal 2006, some of the policies were arranged through a company affiliated with Jonathan Mason, the husband of Joyce J. Mason, the Executive Vice President, General Counsel, Secretary and a Director of the Company, and Irwin Jonas, the father of Joyce J. Mason and Howard S. Jonas. The aggregate premiums paid by the Company directly with respect to those policies in Fiscal 2006 were approximately \$5,860,723, consisting of \$2,532,260 for the Company and \$3,328,463 for Net2Phone, which includes, for Net2Phone, a directors and officers liability policy providing coverage in the future for liabilities of Net2Phone and its officers and directors related to the period prior to our re-acquisition of Net2Phone. In Fiscal 2006, the Company paid premiums in the amount of \$1,101,229 million to third parties that in turn shared commissions with respect to these premiums with the affiliated company. Other policies were written by other brokers with no commission received or shared by the affiliated company. All insurance coverage of the Company and Net2Phone is reviewed by an outside independent insurance consultant to ensure that these insurance policies are both necessary and reasonable.

The Company and Net2Phone made payments for food-related expenses during Fiscal 2006 of approximately \$49,290 and \$986, respectively, to a food service provider owned by Samuel Jonas, the son of Howard S. Jonas, that operated a cafeteria in the Company's headquarters and provided certain off-site catering services to the Company. During Fiscal 2006, the cafeteria was sold to an unrelated third party.

James A. Courter, the Chief Executive Officer and Vice Chairman of the Company's Board of Directors, is a partner in the law firm of Courter, Kobert & Cohen, P.C., which has served as counsel to the Company since July 1996. The Company paid fees to the firm that were less than 2% of the firm's gross revenues for its last completed fiscal year.

In the first quarter of Fiscal 2007, the Company completed the sale of IDT Entertainment to Liberty Media Corporation for (i) 14.9 million shares of the Company's Class B Common Stock and Liberty Media's approximate 4.8% interest in IDT Telecom, Inc., (ii) \$229.5 million in cash, (iii) the repayment of \$58.7 million of IDT Entertainment's intercompany indebtedness payable to IDT and (iv) the assumption of all of IDT Entertainment's existing indebtedness. The cash consideration is subject to potential adjustment based on IDT Entertainment's working capital. The Company is also eligible to receive additional consideration from Liberty Media based upon any appreciation in the value of IDT Entertainment over the five-year period following the closing of the transaction or such shorter period under specified circumstances, equal to 25% of the excess, if any, of the net equity value of IDT Entertainment over \$425 million. As of October 20, 2006, the Company owned 270,504 shares of Liberty Media's Interactive Series A common stock and 54,100 shares of Liberty Media's Liberty Capital Series A common stock and Liberty Media owned 2.3 million shares of the Company's Class B Common Stock. Prior to the consummation of this transaction, Liberty Media owned: (i) 17.2 million shares of the Company's Class B Common Stock, which equaled approximately 24.3% of the outstanding shares of Class B Common Stock; (ii) a 4.8% interest in IDT Telecom; and (iii) an interest in IDT Entertainment.

Certain Business Relationships

William F. Weld, a former director of the Company who resigned in the first quarter of Fiscal 2006, is Of Counsel to the law firm of McDermott, Will & Emery LLP, which has served as counsel to the Company since November 1999. The Company paid fees to the firm that were less than 2% of the firm's gross revenues in its last fiscal year.

In Fiscal 2006, the Company invested approximately \$2.1 million in an investment fund managed by Leeds Weld & Co. Mr. Weld is a principal in Leeds Weld & Co.

James S. Gilmore, III, a director of the Company, is a Partner at the law firm of Kelley Drye Collier Shannon, which served as counsel to the Company during Fiscal 2006. The Company paid fees to the firm that were less than 2% of the firm's gross revenues in its last fiscal year.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock (and Class A Common Stock, assuming conversion of all shares of Class A Common Stock into Common Stock) and Class B Common Stock, Common Stock of IDT Telecom, Inc. (and Class A Common Stock of IDT Telecom, assuming conversion of all shares of Class A Common Stock into Common Stock of IDT Telecom), a privately held subsidiary of the Company, by (i) each person known by the Company to be the beneficial owner of more than 5% of the outstanding shares of the Common Stock, Class A Common Stock, or the Class B Common Stock of the Company, (ii) each of the Company's directors, director nominees, and the Named Executive Officers (as defined below), and (iii) all directors and executive officers of the Company as a group. Unless otherwise noted in the footnotes to the table, to the best of the Company's knowledge, the persons named in the table have sole voting and investing power with respect to all shares indicated as being beneficially owned by them.

Unless otherwise noted, the security ownership information is given as of October 20, 2006 and, in the case of percentage ownership information, is based on the following amount of outstanding shares: (i) 24,995,161 shares of Common Stock (assuming conversion of all 9,816,988 currently outstanding shares of Class A Common Stock into Common Stock for the percentage ownership information of Howard Jonas); (ii) 56,551,192 shares of Class B Common Stock; and (iii) 150,000 shares of Common Stock of IDT Telecom (assuming the conversion of all 150,000 shares of Class A Common Stock of IDT Telecom into Common Stock of IDT Telecom).

**Number of
Shares of
Common
Stock**