

DIVIDER

STATE OF NORTH DAKOTA
INFORMATION TECHNOLOGY DEPARTMENT
SFN 2053 (4-2002)

PU-2887-03-359
IDT America, Corp.
Local Exchange
Public Convenience & Nece
Filed 6/18/2003 Closed 9/26/2003

03



Public Service Commission
Receipt of Payment

Receipt# 5694

Received: 12/22/2003 Check# 304717 for \$179.22
Subject: Utility Valuation

Docket # PU-2887-03-359

IDT America, Corp.
520 Broad Street
Newark NJ 07102

42	PU-2887-03-359	Pages: 1
	Receipt# 5,694 \$179.22	
	by IDT America, Corp.	
	12/22/2003	

APPROVED

DATE: 11-5-03
KME

MOTION

November 5, 2003

IDT America, Corp.
Local Exchange
Public Convenience & Necessity

Case No. PU-2887-03-359

I move the Commission bill IDT America, Corp. for costs incurred to date in Case No. PU-2887-03-359, IDT America, Corp., Local Exchange, Public Convenience & Necessity.



Public Service Commission
State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

November 5, 2003

Carl Wolf Billek
IDT America Corp
520 Broad St
Newark NJ 07102

RE: Case No. PU-2887-03-359
IDT America, Corp.
Local Exchange
Public Convenience & Necessity

Enclosed is a copy of the statement approved at the November 5, 2003 Public Service Commission meeting for the expenses incurred to date in Case No. PU-2887-03-359.

Under N.D.C.C. 49-21-01.7, these expenses are billed through the Valuation Fund and must be paid for by the telecommunications company involved.

Please make your check payable to the *Public Service Commission*.

Sincerely,

Gloria Geiger
Admin Staff Officer
701-328-2401

Enc.

Billing Statement

November 5, 2003

IDT America, Corp.
Local Exchange
Public Convenience & Necessity

Case No. PU-2887-03-359

Bill To:

IDT America, Corp.\$179.22

Expenses Incurred to Date:

Advertising Costs \$179.22

Send Payment and a Copy of this Statement To:

Public Service Commission
600 E Boulevard Ave Dept 408
Bismarck ND 58505-0480

Federal Tax ID 45-0309764

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

IDT America, Corp.
Local Exchange
Public Convenience and Necessity

Case No. PU-2887-03-359

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **26th day of September, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:


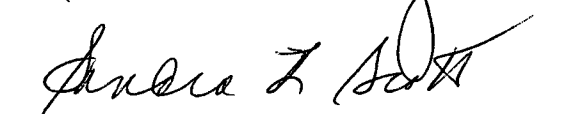
Order

The envelope was addressed as follows:

Carl Wolf Billek
IDT America Corp
520 Broad St
Newark NJ 07102
Cert. No. 7002 2410 0003 4913 3562

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **26th day of September, 2003**.

Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

40

PU-2887-03-359

Pages. 1

Affidavit of Service

by Public Service Commission

09/26/2003

CC. Comm Legal Ilona Jerry



Public Service Commission

State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: ndpsc@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

September 25, 2003

Carl Wolf Billek
IDT Amerca Corp
520 Broad St
Newark NJ 07102

Dear Mr. Billek ::

On September 24, 2003, the Commission issued Certificate of Public Convenience and Necessity Nos. 5047 through 5072 to IDT America Corp. to provide facilities-based local exchange telecommunications services in the exchanges currently served by Qwest Corporation in North Dakota, Case No. PU-2887-03-359. The original certificates are enclosed for your files.

Sincerely,

Sharon Helbling
Public Utilities Division

sdh

Enclosure

APPROVED

MOTION

DATE: 9-24-03
sdj

September 24, 2003

**IDT America, Corp.
Local Exchange
Public Convenience and Necessity**

Case No. PU-2887-03-359

I move the Commission adopt the Order and issue certificates of public convenience and necessity authorizing IDT America Corp. to provide facilities based competitive local exchange telecommunication services in North Dakota.

JRL/sdh

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**IDT America, Corp.
Local Exchange
Public Convenience and Necessity**

Case No. PU-2887-03-359

ORDER

September 24, 2003

On June 18, 2003, IDT America, Corp. (IDT America) of Newark, NJ, filed an application for certificates of public convenience and necessity to provide facilities-based competitive local exchange telecommunications services in all North Dakota exchanges currently served by Qwest Corporation.

On July 2, 2003, the Commission issued a Notice of Opportunity for Hearing, which provided until August 5, 2003 for receiving comments or hearing requests. No comments or requests for hearing have been received. In accordance with North Dakota Century Code chapter 49-03.1 and North Dakota Administrative Code section 69-09-05-11(3), the Commission's notice identified the following issues to be considered in this matter:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. Technical, financial and managerial ability of the applicant to provide service.

On July 21, 2003, the Public Service Commission's Director of Accounting filed a memorandum indicating that IDT America has the financial ability to provide service.

On August 28, 2003, the Commission discussed the issues in this matter with the applicant and Commission staff at an informal hearing.

IDT America is a New Jersey Corporation that was formed in 1994 and is an indirect subsidiary of IDT Corporation. IDT America provides interexchange service in all fifty states and is authorized to provide CLEC services in 25 states.

IDT America has been registered in North Dakota as a reseller of long distance services since November 1998 and intends to register to resell local service in North Dakota as well. IDT America reports that it has no current plans to install facilities in North Dakota, but may do so in the future. Initially, IDT intends to focus on providing local exchange service to residential and small business customers via resale and UNE combinations.

The Commission finds IDT America's proposed service adequate.

The Commission finds IDT America is fit, able, and has the technical, financial and managerial ability to provide service.

Order

The Commission Orders the application of IDT America Corp. for certificates of public convenience and necessity to provide facilities-based competitive local exchange telecommunications services in all North Dakota exchanges currently served by Qwest Corporation is GRANTED.

PUBLIC SERVICE COMMISSION

		
Susan E. Wefald Commissioner	Tony Clark President	Kevin Cramer Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5047

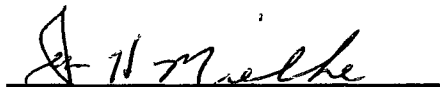
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Belfield, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5048

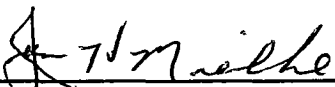
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Bismarck, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5049

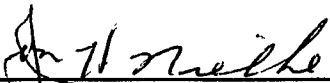
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Casselton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5050

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Dickinson, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5051

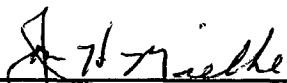
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Emerado, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5052

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Fargo, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5053

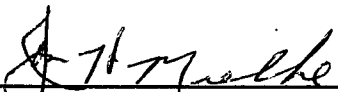
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Gardner, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5054

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Grafton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5055

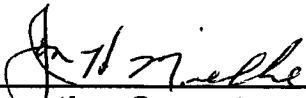
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Grand Forks, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5056

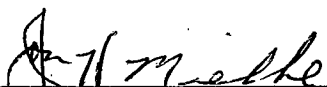
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Hatton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5057

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Hillsboro, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5058

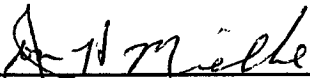
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Jamestown, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5059

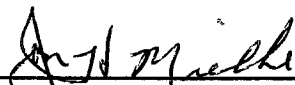
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Kindred, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5060

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Larimore, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5061

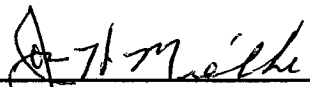
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Leonard, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5062

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Mandan, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5063

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Marvel, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5064

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Mayville, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5065

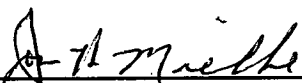
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Minto, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5066

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Northwood, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5067

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Reynolds, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5068

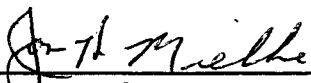
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Thompson, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5069


This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Valley City, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5070

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the Wahpeton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5071

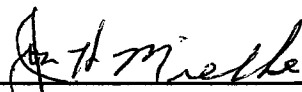
This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the suburban territory near Fairview, Montana, part of the Fairview local exchange area, but located in North Dakota and served from the Fairview, Montana local central office.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Secretary



Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5072

This is to certify that public convenience and necessity require, and permission is granted for IDT America, Corp., a telecommunications public utility, to provide local exchange telecommunications services inside the rural territory near Sidney, Montana, part of the Sidney local exchange area, but located in North Dakota and served from the Sidney, Montana local central office.

This certificate is issued in Case No. PU-2887-03-359 and is conditioned upon IDT America, Corp. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.

Bismarck, North Dakota, September 24, 2003.

ATTEST:

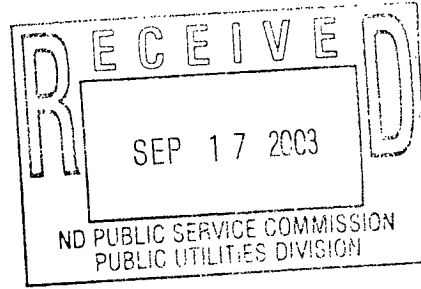
PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner



Legal Department



IDT Corporation
520 Broad Street
Newark, NJ 07102 USA
P 973 438/3342
F 973 438/1455
www.idt.net

September 15, 2003

VIA OVERNIGHT MAIL

Mr. John Mielke
Executive Secretary
North Dakota Public Service Commission
600 East Boulevard
Bismarck, North Dakota 58505

Re: **Application of IDT America, Corp. for a Certificate of Public Convenience and Necessity to Provide Competitive Facilities-Based Local Exchange Telecommunications Services in the State of North Dakota**
Case No. PU-2887-03-359

Dear Mr. Mielke.

In accordance with the request of Mr. Jerry Lin of Commission Staff, on behalf of IDT America, Corp. ("IDT"), I have enclosed a revised Affidavit of James Courter, President of IDT. I have enclosed an original and seven (7) copies of the filing. Please date-stamp the additional copy of this cover letter and return it to me in the enclosed self-addressed, stamped envelope.

If you have any questions please do not hesitate to contact me at (973) 438-4854 or Carl.Billek@corp.idt.net.

Respectfully submitted,

Carl Wolf Billek
IDT America, Corp.

Enclosures

NYSE: IDT

10 PU-2887-03-359

Pages: 69

Affidavit of James Courter, President of
IDT
by IDT America, Corp.

09/17/2003

CC: Comm Legal Ilona Jerry

IDT CORP filed this 10-Q/A on 09/03/2003.

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

**FORM 10-Q/A
Amendment No. 3**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended April 30, 2003

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
(State or other jurisdiction of
incorporation or organization)

520 Broad Street, Newark, New Jersey
(Address of principal executive offices)

22-3415036
(I.R.S. Employer
Identification Number)

07102
(Zip Code)

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

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Common Stock, \$.01 par value – 19,654,897 shares outstanding as of June 11, 2003 (excluding 5,419,963 treasury shares)
Class A common stock, \$.01 par value – 9,816,988 shares outstanding as of June 11, 2003
Class B common stock, \$.01 par value – 51,220,669 shares outstanding as of June 11, 2003 (excluding 4,019,163 treasury shares)

(Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date)

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We are filing this Amendment No. 3 on Form 10-Q/A to our quarterly report for the period ended April 30, 2003 primarily for the purpose of restating our financial statements and other financial information included in this report to consolidate the results of Net2Phone, Inc. for the period beginning on October 23, 2001 through July 31, 2002. In our original quarterly report for the period ended April 30, 2002 on Form 10-Q, we accounted for our investment in Net2Phone during this period using the equity method. Note 2 to our condensed consolidated financial statements included in this report summarizes the basis for this restatement. In addition, we have made certain other changes throughout this report to include additional information regarding Net2Phone, and our investment therein, and to clarify and supplement previously disclosed information regarding topics other than Net2Phone.

We have amended and restated our Quarterly Report on Form 10-Q for the period ended April 30, 2003 in its entirety because the changes referenced above have been made throughout the report. This Amendment No. 3 does not contain updates to reflect any events occurring after the original June 16, 2003 filing of our quarterly report on Form 10-Q for the period ended April 30, 2003. All information contained in this Amendment No. 3 is subject to updating and supplementing as provided in our reports filed with the Securities and Exchange Commission, as may be amended, for periods subsequent to the date of the original filing of the quarterly report on Form 10-Q.

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IDT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	April 30, 2003	July 31, 2002
	(Unaudited)	(Note 1) (Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 243,415	\$ 415,464
Marketable securities	794,259	684,502
Trade accounts receivable, net	133,127	129,308
Other current assets	88,199	78,796
Total current assets	1,259,000	1,308,070
Property, plant and equipment, net	288,070	283,506
Restricted cash	21,290	—
Goodwill	34,424	34,411
Licenses and other intangibles, net	24,310	27,242
Investments	39,471	44,085
Marketable securities	—	18,704
Other assets	62,835	61,644
Total assets	\$ 1,729,400	\$ 1,777,662
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 97,760	\$ 128,863
Accrued expenses	173,601	160,159
Deferred revenue	120,836	120,206
Capital lease obligations—current portion	25,318	25,963
Other current liabilities	33,412	19,491
Total current liabilities	450,927	454,682
Deferred tax liabilities, net	191,436	233,518
Capital lease obligations—long-term portion	38,502	48,068
Other liabilities	14,299	5,060
Total liabilities	695,164	741,328
Minority interests	162,184	166,564
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; 25,147,360 and 24,988,597 shares issued at April 30, 2003 and July 31, 2002, respectively; 19,727,397 and 19,568,634 shares outstanding at April 30, 2003 and July 31, 2002, respectively	197	196
Class A common stock, \$.01 par value; authorized shares—35,000,000; 9,816,988 shares issued and outstanding at April 30, 2003 and July 31, 2002	98	98
Class B common stock, \$.01 par value; authorized shares—100,000,000; 55,044,832 and 54,009,844 shares issued at April 30, 2003 and July 31, 2002, respectively; 51,025,669 and 49,990,681 shares outstanding at April 30, 2003 and July 31, 2002,		

respectively	510	500
Additional paid-in capital	636,445	606,387
Treasury stock, at cost, consisting of 5,419,963 shares of common stock and 4,019,163 shares of Class B common stock	(153,713)	(153,713)
Accumulated other comprehensive loss	(4,369)	(2,435)
Retained earnings	392,884	418,737
	<hr/>	<hr/>
Total stockholders' equity	872,052	869,770
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 1,729,400	\$ 1,777,662
	<hr/>	<hr/>

See notes to condensed consolidated financial statements.

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IDT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2003	2002	2003	2002
Revenues	\$454,870	\$ 419,447 (Restated)	\$1,348,808	\$1,152,947 (Restated)
Costs and expenses:				
Direct cost of revenues (exclusive of items shown below)	347,117	323,062	1,036,172	886,758
Selling, general and administrative	104,967	131,509	316,863	331,786
Depreciation and amortization	22,349	23,791	65,279	61,876
Settlement by Net2Phone of litigation	—	—	(58,034)	—
Non-cash compensation	16,629	9,061	23,762	15,835
Restructuring, severance and impairment charges	1,707	114,436	9,033	138,414
Total costs and expenses	492,769	601,859	1,393,075	1,434,669
Loss from operations	(37,899)	(182,412)	(44,267)	(281,722)
Interest income, net	6,721	4,531	21,345	17,193
Other income (expense):				
Gain on sale of subsidiary stock	22,422	—	22,422	—
Equity in loss of affiliates	—	—	(3,811)	(5,812)
Investment and other income (expense), net	(10,362)	(4,432)	(15,365)	(10,353)
Loss before minority interests, income taxes and cumulative effect of accounting change	(19,118)	(182,313)	(19,676)	(280,694)
Minority interests	(1,003)	111,487	(46,953)	147,384
Benefit from income taxes	10,818	21,233	40,776	55,173
Loss before cumulative effect of accounting change	(9,303)	(49,593)	(25,853)	(78,137)
Cumulative effect of accounting change, net of income taxes of \$3,525	—	—	—	(146,983)
Net loss	\$ (9,303)	\$ (49,593)	\$ (25,853)	\$ (225,120)
Loss per share:				
Loss before cumulative effect of accounting change:				
Basic	\$ (0.12)	\$ (0.64)	\$ (0.32)	\$ (1.06)
Diluted	\$ (0.12)	\$ (0.64)	\$ (0.32)	\$ (1.06)
Cumulative effect of accounting change, net of income taxes:				
Basic	\$ —	\$ —	\$ —	\$ (2.00)
Diluted	\$ —	\$ —	\$ —	\$ (2.00)
Net loss:				
Basic	\$ (0.12)	\$ (0.64)	\$ (0.32)	\$ (3.06)
Diluted	\$ (0.12)	\$ (0.64)	\$ (0.32)	\$ (3.06)
Weighted-average number of shares used in calculation of loss per share:				
Basic	80,262	76,938	79,808	73,592
Diluted	80,262	76,938	79,808	73,592

See notes to condensed consolidated financial statements.

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

	Nine Months Ended April 30,	
	2003	2002
Net cash provided by (used in) operating activities	\$ 11,185	\$ (27,823) (Restated)
Investing activities		
Purchases of property, plant and equipment	(51,436)	(36,189)
Issuance of notes receivable	(6,971)	(12,861)
Purchases of investments	(10,348)	(44,974)
Acquisitions	—	(43,450)
Increase in cash from consolidation of Net2Phone	—	144,177
Purchases of marketable securities	(1,741,131)	(580,571)
Sales and maturities of marketable securities	1,648,484	312,999
Net cash used in investing activities	(161,402)	(260,869)
Financing activities		
Proceeds from exercise of stock options	10,046	44,471
Repayments of capital lease obligations	(19,509)	(16,654)
Repurchases of common stock and Class B common stock	—	(15,639)
Proceeds from sales of subsidiaries stock	25,000	30,000
Cash restricted against letters of credit	(21,290)	—
Distributions to minority shareholders of subsidiaries	(16,079)	(13,708)
Net cash (used in) provided by financing activities	(21,832)	28,470
Net decrease in cash and cash equivalents	(172,049)	(260,222)
Cash and cash equivalents, beginning of period	415,464	1,091,071
Cash and cash equivalents, end of period	\$ 243,415	\$ 830,849
Supplemental schedule of non-cash investing and financing activities		
Purchases of property, plant and equipment through capital lease obligations	\$ 9,298	\$ 20,200
Issuance of Class B common stock for acquisitions	\$ —	\$ 30,764

See notes to condensed consolidated financial statements.

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IDT CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of IDT Corporation and its subsidiaries (the “Company” or “IDT”) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior year’s condensed consolidated financial statements to conform to the current year’s presentation. Operating results for the three-month and nine-month periods ended April 30, 2003 are not necessarily indicative of the results that may be expected for the year ending July 31, 2003. The balance sheet at July 31, 2002 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K/A (Amendment No. 1) for the year ended July 31, 2002, as filed with the United States Securities and Exchange Commission.

The Company’s fiscal year ends on July 31 of each calendar year. Each reference below to a Fiscal Year refers to the Fiscal Year ending in the calendar year indicated (e.g., Fiscal 2003 refers to the Fiscal Year ending July 31, 2003).

Note 2—Consolidation of Net2Phone and Restatement

The condensed consolidated financial statements in this Amendment No. 3 to the Company’s quarterly report on Form 10-Q for the quarterly period ended April 30, 2003 have been restated to consolidate the results of Net2Phone for the period beginning on October 23, 2001 through July 31, 2002. In the original report, the Company accounted for its investment in Net2Phone during this period using the equity method. The change in accounting for the Company’s investment in Net2Phone from the equity method to consolidation does not change the Company’s net loss or loss per share for any previously reported period.

As explained below, and in note 2 to the condensed consolidated financial statements included in the Company’s original quarterly report on Form 10-Q for the period ended April 30, 2003, the determination of whether to account for the Company’s interest in Net2Phone through the equity method or consolidation was dependent on whether the Company’s control of NTOP Holdings, LLC, through which the Company holds its investment in Net2Phone, was deemed to be temporary.

NTOP Holdings was formed on October 23, 2001, when the Company and AT&T Corporation each contributed their minority stakes in Net2Phone into a newly formed limited liability company, NTOP Holdings. Liberty Media then acquired a substantial portion of NTOP Holdings’ units from AT&T. NTOP Holdings holds an aggregate of 28.9 million shares of Net2Phone’s Class A common stock, representing a majority voting stake in Net2Phone. Under the terms of the Second Amended and Restated Limited Liability Company Agreement of NTOP Holdings (the “LLC Agreement”), the Company was granted the right to appoint the entire board of managers (including one nominee of Liberty Media) of NTOP Holdings. The board of managers directs the voting of all Net2Phone shares held by NTOP Holdings, thereby giving the Company effective control over the voting of the Net2Phone shares (but not their disposition, which requires consent of the members) held by NTOP Holdings. However, the LLC Agreement also granted each owner of NTOP Holdings the unilateral right, effective January 1, 2004, to cause the immediate liquidation of NTOP Holdings. Accordingly, the Company’s ability to control the voting power of Net2Phone will immediately terminate on January 1, 2004, the effective date of the liquidation rights.

In determining how to account for the Company’s interest in Net2Phone through NTOP Holdings, the Company consulted Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (“ARB 51”), as amended by Statement of Financial Accounting Standards No. 94, *Consolidation of All Majority-Owned Subsidiaries* (“SFAS 94”), which at that time prohibited a company from consolidating a controlled subsidiary if that control was likely to be temporary. Because the Company’s control of Net2Phone would terminate upon the effectiveness of the members’ unilateral liquidation rights, the Company decided that it should not consolidate Net2Phone during the approximately 26-month period (i.e., October 23, 2001 through December 31, 2003) that the Company would control Net2Phone (the “Control Period”), as the length of this period rendered the Company’s control temporary. Instead, the Company continued to account for its investment in Net2Phone

through the end of Fiscal 2002 using the equity method.

Effective August 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which amended ARB 51 (as amended by SFAS 94) to eliminate the prohibition

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from consolidation for a controlled subsidiary for which control is likely to be temporary. As a result, the Company began consolidating Net2Phone effective August 1, 2002.

Subsequently, the Company reconsidered its initial interpretation of temporary control and reached the conclusion that the Control Period of approximately 26 months was too long to render the Company's control temporary. As such, the Company decided to restate its results for Fiscal 2002 to consolidate the results of Net2Phone for the period from October 23, 2001 through July 31, 2002.

The following table represents selected financial data as originally reported and as restated due to the restatement, as of and for the three and nine months ended April 30, 2002 (in thousands):

	Three Months Ended		Nine Months Ended	
	As originally reported	As restated	As originally reported	As restated
Revenues	\$401,653	\$ 419,447	\$1,114,887	\$1,152,947
Loss from operations	(42,829)	(182,412)	(83,168)	(281,722)
Net loss	(49,593)	(49,593)	(225,120)	(225,120)
			Nine Months Ended	
			As originally reported	As restated
Cash, cash equivalents and marketable securities (including restricted cash)			1,054,719	1,143,399
Working capital			881,127	887,122
Total assets			1,765,048	1,904,491
Total stockholders' equity			940,542	904,491
Net cash provided by (used in) operating activities			16,249	(27,823)
Net cash used in investing activities			(384,170)	(260,869)
Net cash provided by financing activities			29,819	28,470

Pursuant to the operating agreement of the LLC, AT&T received 29 Class A units of the LLC, and had the right to put 6 of these units to IDT and 23 of these units to Liberty Media after one year. On October 29, 2002, AT&T exercised its put rights and sold all of its Class A units to IDT and Liberty Media for a nominal amount. As a result of this transaction, AT&T is no longer a member of the LLC. IDT continues to hold the controlling membership interest in the LLC and is the managing member of the LLC. As of April 30, 2003, IDT's economic effective equity investment in Net2Phone (through the LLC) was 18.6%. Accordingly, the Company recorded in minority interests the 81.4% of Net2Phone's results attributable to the remaining shareholders of Net2Phone.

Note 3—Stock-Based Compensation

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure, An Amendment of FASB Statement No. 123*. This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of FASB Statement No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. During the third quarter of Fiscal 2003, the Company adopted the disclosure provisions of SFAS No. 148, effective as of the beginning of the fiscal year.

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The Company continues to account for its employee stock options under the recognition and measurement principles of Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. The following table illustrates the effect on net loss and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2003	2002	2003	2002
	(in thousands, except per share data)			
Net loss, as reported	\$ (9,303)	\$(49,593)	\$(25,853)	\$(225,120)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects and minority interests	8,397	2,445	9,974	3,517
Deduct: Total stock-based employee compensation expense determined under the fair value based method of accounting for all awards, net of related tax effects and minority interests	(17,641)	(8,402)	(31,510)	(20,083)
Pro forma net loss	\$(18,547)	\$(55,550)	\$(47,389)	\$(241,686)
Loss per share:				
Basic—as reported	\$ (0.12)	\$ (0.64)	\$ (0.32)	\$ (3.06)
Basic—pro forma	\$ (0.23)	\$ (0.72)	\$ (0.59)	\$ (3.28)
Diluted—as reported	\$ (0.12)	\$ (0.64)	\$ (0.32)	\$ (3.06)
Diluted—pro forma	\$ (0.23)	\$ (0.72)	\$ (0.59)	\$ (3.28)

Note 4—Business Segment Information

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

The Wholesale Telecommunications Services business segment consists of wholesale carrier services provided to other long distance carriers. The Retail Telecommunications Services business segment includes domestic and international prepaid, rechargeable and private label calling cards, and consumer long distance services to individuals and businesses. The IDT Solutions business segment, which commenced operations in December 2001 upon the acquisition of assets from Winstar Communications, Inc. and certain of its subsidiaries (“Old Winstar”), operates through Winstar Holdings, LLC 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 reconsolidated subsidiary, Net2Phone, effective October 23, 2001, which is a provider of voice over Internet Protocol, or VoIP, telephony products and services. The IDT Media business segment operates several media and entertainment-related businesses, most of which are currently in the early stages of development.

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IDT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company evaluates the performance of its business segments based primarily on operating income (loss). All corporate overhead is allocated to the business segments based on time and usage studies, except for certain specific corporate costs, such as corporate management compensation, treasury management and public relations, and corporate legal, insurance and governance costs, which are not allocated to the business segments. Operating results presented for the principal business segments of the Company are as follows (in thousands):

	Wholesale Telecommunications Services	Retail Telecommunications Services	IDT Solutions (1)	Internet Telephony	IDT Media	Corporate	Total
Three Months Ended							
April 30, 2003							
Revenues	\$ 109,156	\$ 299,865	\$ 20,766	\$ 19,585	\$ 5,498	\$ —	\$ 454,870
Segment operating income (loss)	(6,081)	21,761	(19,625)	(9,830)	(2,278)	(21,846)	(37,899)
Three Months Ended							
April 30, 2002							
Revenues	73,236	285,436	33,095	23,521	4,159	—	419,447
Segment operating income (loss)	(6,540)	19,079	(43,863)	(139,583)	(5,003)	(6,502)	(182,412)
Nine Months Ended							
April 30, 2003							
Revenues	\$ 288,178	\$ 914,870	\$ 65,933	\$ 63,357	\$ 16,470	\$ —	\$ 1,348,808
Segment operating income (loss)	(22,708)	66,060	(67,493)	25,672	(6,406)	(39,392)	(44,267)
Nine Months Ended							
April 30, 2002							
Revenues	206,616	825,503	52,269	52,953	15,606	—	1,152,947
Segment operating income (loss)	(25,349)	42,001	(62,996)	(198,554)	(17,234)	(19,590)	(281,722)

(1) IDT acquired the assets currently held by Winstar (through which the IDT Solutions segment operates) in December 2001. Accordingly, results of operations for the nine months ended April 30, 2002 for the IDT Solutions segment reflect only the period that the Company owned and operated the Winstar assets.

Note 5—Earnings Per Share

The Company computes earnings per share under the provisions of SFAS No. 128, *Earnings per Share*. Under the provisions of SFAS No. 128, basic earnings per share is computed by dividing net income (loss) applicable to common shareholders by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per share is determined in the same manner as basic earnings per share except that the number of shares is increased assuming exercise of potentially dilutive stock options and contingently issuable shares using the treasury stock method, unless the effect of such increase would be anti-dilutive. For the periods reported in the condensed consolidated financial statements included in this report, the diluted earnings per share amounts equal basic earnings per share because the Company had net losses and the impact of the assumed exercise of stock options and contingently issuable shares would have been anti-dilutive.

Note 6—Comprehensive Loss

The Company's comprehensive loss consists of the following (in thousands):

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2003	2002	2003	2002
Net loss	\$ (9,303)	\$(49,593)	\$(25,853)	\$(225,120)
Foreign currency translation adjustments	(406)	3,977	(654)	(1,689)

Unrealized losses in available-for-sale securities	(1,566)	(489)	(1,040)	(564)
Comprehensive loss	<u>\$(11,275)</u>	<u>\$(46,105)</u>	<u>\$(27,547)</u>	<u>\$(227,373)</u>

Note 7—Winstar Acquisition

On December 19, 2001, the Company, through a subsidiary, acquired the core domestic telecommunications assets of Old Winstar in connection with Old Winstar's 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 Company currently offers the Winstar services under the name IDT Solutions.

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The purchase price for the Old Winstar assets consisted of \$30.0 million in cash, \$12.5 million in newly issued shares of IDT Class B common stock and 5% of the common equity interests in Winstar (the remaining 95% of the common equity interests as well as all of the preferred equity interests in Winstar were owned by IDT). The acquisition was 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.

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 Old Winstar asset acquisition had occurred as of August 1, 2001, 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.

	<u>Three Months Ended April 30, 2002</u>	<u>Nine Months Ended April 30, 2002</u>
Revenues	\$ 419,447	\$ 1,225,647
Loss before cumulative effect of accounting change	\$ (49,593)	\$ (158,616)
Net loss	\$ (49,593)	\$ (305,599)
Loss per share:		
Loss before cumulative effect of accounting change		
Basic	\$ (0.64)	\$ (2.12)
Diluted	\$ (0.64)	\$ (2.12)
Net loss		
Basic	\$ (0.64)	\$ (4.09)
Diluted	\$ (0.64)	\$ (4.09)
Weighted-average number of shares used in calculation of loss per share:		
Basic	77,334	74,747
Diluted	77,334	74,747

Note 8—Amendment of Stock Options

On April 25, 2003, all then outstanding stock options exercisable for shares of the Company's common stock (which were exercisable for an aggregate of 1.9 million shares) were amended to instead be exercisable for an equal number of shares of the Company's Class B common stock. Because these options were originally recorded under APB No. 25, a new measurement date was triggered and the options were required to be accounted for under the intrinsic value method of accounting. As a result, the Company recorded a non-cash compensation charge for the three and nine months ended April 30, 2003 of \$13.7 million for the modification of the options.

On April 25, 2003, the Board of Directors also authorized that shares of Class B common stock held as treasury stock be allocated for issuance in connection with the above stock option amendments.

Note 9—Recently Issued Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments Hedging Activities*. This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The new guidance amends SFAS No. 133 for decisions made: as part of the Derivatives Implementation Group process that effectively required amendments to SFAS No. 133; in connection with other FASB projects dealing with financial instruments; and regarding implementation issues raised in relation to the application of the definition of a derivative, particularly regarding the meaning of an "underlying" and the characteristics of a derivative that contains financing components.

SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS No. 133. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 amends certain other existing pronouncements. These changes

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will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting.

The provisions of this standard are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The provisions of this statement that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist should be applied to existing contracts as well as new contracts entered into after June 30, 2003. The Company believes that the adoption of this standard will not have a material impact on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type, which includes put options and forward purchase contracts, involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments consists of obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

In addition to requirements for classification and measurement of financial instruments, SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, whose shares are mandatorily redeemable. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective from the start of the first interim period beginning after June 15, 2003. The Company believes that the adoption of this standard will not have a material impact on the Company's results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46, (FIN 46) "*Consolidation of Variable Interest Entities*." FIN 46 requires a company to consolidate a variable interest entity ("VIE"), as defined, when the company will absorb a majority of the variable interest entity's expected losses, receive a majority of the variable interest entity's expected residual returns, or both. FIN 46 also requires consolidation of existing, non-controlled affiliates if the VIE is unable to finance its operations without investor support, or where the other investors do not have exposure to the significant risks and rewards of ownership. FIN 46 applies immediately to a VIE created or acquired after January 31, 2003. For a VIE acquired before February 1, 2003, FIN 46 applies in the first fiscal year or interim period beginning after June 15, 2003. The Company has completed its assessment of the impact of FIN 46 and does not believe that its adoption will have a material impact on the Company.

Note 10—Legal Proceedings

Certain legal proceedings in which the Company is involved are described in the Company's Quarterly Report on Form 10-Q/A (Amendment No. 1) for the quarter ended January 31, 2003. The following discussion is limited to recent developments concerning the Company's legal proceedings and should be read in conjunction with such earlier Quarterly Report. Unless otherwise indicated, all legal proceedings discussed in the Company's earlier Quarterly Report remain outstanding.

With respect to the Company's complaint against Telefonica S.A., Terra Networks, S.A., Terra Networks, U.S.A., Inc. and Lycos, Inc., the Company filed a motion on May 16, 2003 to compel the defendants to produce documents under the crime-fraud exception of the attorney-client and work product privilege. Oral argument on this motion is scheduled for August 7, 2003.

With respect to the Company's statement of claim with the American Arbitration Association naming Telefonica Internacional, S.A. as the Respondent, the parties filed post-hearing briefs on April 4, 2003 and reply briefs were filed on May 8, 2003.

With respect to the summons and complaint filed on or about July 25, 2002 by PT-1 Communications against the Company, the parties held a status conference before the judge on April 3, 2003. The Company filed a motion for a stay to enjoin this proceeding based upon a filing by The Continuing Creditors' Committee of Star Telecommunications, Inc. of a near-identical adversary proceeding against the Company in the United States Bankruptcy Court for the District of Delaware. The motion

was denied on May 15, 2003.

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With respect to the complaint 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 IDT switched underlying carriers from Global Crossing Ltd. to AT&T, the Court denied the plaintiff's motion to remand the case to the State court and granted the Company's motion to transfer the case to the Federal Communications Commission (the "FCC"). The Company filed a petition with the FCC on April 30, 2003.

With respect to the Morris Amsel and the Ana Cardoso and Maria Calado matters relating to the Company's calling cards, on May 19, 2003 the Company filed an application with the Multi-District Litigation Panel seeking to consolidate these matters.

With respect to the suit filed by Winstar against Superior Logistics Management Services, Inc. in the U.S. District Court for the Eastern District of Virginia, the parties entered into a settlement agreement that entitles Winstar to receive 10% of the sales price of any sales of certain equipment by Superior, and provides Winstar with purchase options at 6 and 9 months from May 7, 2003 for various equipment that was the subject of the suit and stored by Superior, at the price of \$0.035 per \$1.00 of the original cost to Superior or its entities that are now in Chapter 7 bankruptcy.

With respect to the Univance Telecommunications, Inc. and Univance Marketing Group, Inc. (collectively the "Univance Debtors") bankruptcy matter, the parties resolved this matter and the Univance Debtors and Winstar entered into an agreement dated March 19, 2003, pursuant to which the Univance Debtors will continue to provide services to Winstar. The parties will seek Bankruptcy Court approval of the agreement.

On or about February 5, 2002, a complaint was filed by Solomon Bitton against the Company in the Superior Court of the State of New Jersey, Bergen County, seeking certification of a class consisting of New Jersey residents who allegedly purchased 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 damages sought have not yet been quantified. The Company served answers to the complaint on April 3, 2003 and are in the process of providing initial discovery responses.

On or about March 12, 2003, a complaint was filed by the Continuing Creditors' Committee of Star Telecommunications, Inc. for itself and on behalf of the Star Creditors' Liquidating Trust ("Star") against the Company in the United States Bankruptcy Court for the District of Delaware. Star seeks (a) to void and recover damages for certain fraudulent transfers of property of Star's bankruptcy estate pursuant to the pre-petition sale of certain assets to the Company, and (b) to recover damages for unjust enrichment pursuant to said sale. The Company has not been served with the complaint and Star has not taken any action to prosecute the claims against the Company. The Company filed a motion for a stay or to enjoin this proceeding based upon the fact that this proceeding is nearly-identical to the adversary proceeding previously filed by PT-1 Communications against the Company in the United States Bankruptcy Court for the Eastern District of New York, which motion was denied.

On April 15, 2003, Network Communications of Indiana ("NCI") filed a four-count complaint in the Superior Court in Marion County, Indiana, against the Company, seeking \$8.7 million in damages. NCI signed a Non-Exclusive High Volume Independent Agent Marketing Agreement with Winstar Wireless, Inc., on February 1, 1999. On April 18, 2001, Winstar Wireless, Inc., and various other affiliates ("Debtors") filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Delaware. On December 19, 2001, an affiliate of the Company purchased various assets of the Debtors. NCI alleges that the Company, as a result of allegedly acquiring certain assets of the Debtor including alleged network customer lists: (a) misappropriated NCI's customer lists, (b) unlawfully converted NCI's customer lists, (c) unfairly competed with NCI's business, and (d) tortiously interfered with contracts between NCI and NCI's customers. The case has been removed to the United States District Court for the Southern District of Indiana, Indianapolis Division, and the Company has an extension to answer or otherwise plead until June 23, 2003.

On or about April 26, 2003, the Company was served with a petition filed by Powell Palmares in the District Court of Nueces County, Texas, 105th Judicial District. The Company is not the only defendant in this action. In his petition, the plaintiff names numerous additional defendants, including Oblio Telecom, Northern California Telecommunications, Locus Telecommunications, Star Telecom Network, Astral Communications, Pacific Telecard, and Advanced Telecom Solutions. The plaintiff is seeking certification of a class consisting of all persons in Texas who allegedly purchased and used IDT's pre-paid calling cards and made calls to, or from, cellular telephone equipment. The damages sought have not yet been quantified. The Company filed its answer on June 2, 2003.

The Company is subject to other legal proceedings and claims, which arise in the ordinary course of our business and have not been finally adjudicated. Although there can be no assurances in this regard, in the opinion of the Company's management,

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such proceedings, as well as the aforementioned actions, will not have a material adverse effect on the Company's results of operations, cash flows or financial condition.

Note 11—Settlement by Net2Phone of Litigation

On March 19, 2002, Net2Phone and its ADIR Technologies, Inc. subsidiary filed suit in the United States District Court for the District of New Jersey against Cisco Systems, Inc. and a Cisco executive who had been a member of ADIR's 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. Net2Phone and ADIR 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 recognized for the quarter ended October 31, 2002, a gain of \$58.4 million consisting of (i) a \$38.9 million reduction in minority interests as a result of the transfer of the ADIR shares and (ii) the receipt of settlement proceeds of \$19.5 million. During the second quarter of Fiscal 2003, Net2Phone approved and therefore recorded an additional \$0.4 million in executive compensation expense directly related to the Cisco settlement.

Note 12—Restructuring, Severance and Impairment Charges

Restructuring, severance and impairment charges were \$1.7 million and \$9.0 million for the three and nine months ended April 30, 2003 compared to \$114.4 million and \$138.4 million for the three and nine months ended April 30, 2002, respectively.

First Quarter 2003 Restructuring

On October 24, 2002, Net2Phone announced that it was consolidating certain business operations. This consolidation reduced Net2Phone's staff by approximately 20%, or about 55 employees. As a result of this restructuring, Net2Phone incurred severance charges of \$3.2 million, primarily relating to the consolidation in the first quarter of Fiscal 2003 of its development and support organizations. In addition, Net2Phone recorded \$1.9 million of asset impairment charges, and \$1.8 million of costs to exit various locations and cancel network buildouts. These costs were partially offset by Net2Phone's reversal of a reserve for cancellation charges, which was reduced as a result of successful settlement negotiations with certain vendors.

November 2001 Restructuring

In November 2001, Net2Phone announced plans to restructure its operations, which included the elimination of various lines of development business related to Voice Hosting products and Enterprise products, the relocation of certain facilities, and a reduction in workforce by approximately 270 employees. As a result of this restructuring, during the nine months ended April 30, 2002, Net2Phone incurred charges of \$0.9 million related to the write down of certain assets and a litigation-related reserve, \$6.2 million related to employee terminations, \$1.9 million related to the reduction of operations at various locations, and \$1.3 million related to the cancellation of various equipment and network build out costs.

February 2002 Restructuring

In February 2002, Net2Phone's ADIR subsidiary announced a reduction of workforce by 60 employees, resulting in a charge of approximately \$1.4 million. Also in February 2002, Net2Phone announced plans to reduce its workforce by 85 employees or approximately 28% resulting in a charge of approximately \$3.5 million.

April 2002 Restructuring

In April 2002, Net2Phone announced plans to further reduce its workforce by 20 employees. Net2Phone scaled back its technical development team, which had been working on projects related to the restructured businesses. Net2Phone recorded severance of approximately \$0.9 million related to this additional workforce reduction.

Impairment of Long-lived and Intangible Assets

An impairment charge of \$83.9 million was recognized by Net2Phone during the third quarter of Fiscal 2002 when it determined that the future undiscounted cash flows of its long-lived assets were estimated to be insufficient to recover their related carrying values. As such, the carrying values of these assets were written down to their estimated fair value, estimated

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using the present value of expected future cash flows. Additionally, during the third quarter of fiscal 2002, as a result of the significant reduction in ADIR's workforce, the goodwill for ADIR's software sales reporting unit was tested for impairment and, as a result, a goodwill impairment loss of \$11.5 million was recognized by Net2Phone. The fair value used to measure the impairment was estimated using the present value of expected future cash flows. Also during the third quarter of Fiscal 2002, as a result of Net2Phone's plan to restructure its operations and eliminate various lines of development, an impairment review of Net2Phone's long-lived assets and identifiable intangible assets was conducted as of April 30, 2002. As a result of this analysis, Net2Phone recorded impairment charges of approximately \$2.0 million related to customer lists, \$0.5 million related to technology and \$1.7 million related to developed product technology assets. The impairment charge was calculated as the amount by which the carrying amount of the assets exceeded their fair values, estimated using the present value of expected future cash flows.

Separation Agreements

As a result of separation agreements entered into in Fiscal 2002 with Net2Phone's former Chief Executive Officer and Chief Financial Officer, Net2Phone incurred charges of \$1.0 million and \$3.0 million during the three and nine months ended April 30, 2003, respectively, and \$0.8 million and \$11.7 million during the three and nine months ended April 30, 2002, respectively. Net2Phone expects to incur future charges of approximately \$1.8 million relating to these separation agreements.

Note 13—Gain on Sale of Subsidiary Stock

On April 17, 2003, a subsidiary of Liberty Media purchased from IDT Media 88,235 newly-issued shares of IDT Media's Class A common stock, at a price of \$283,334 per share, representing an aggregate cash purchase price of \$25.0 million. IDT Media operates several media and entertainment-related businesses, most of which are currently in the early stages of development. As a result of this sale of subsidiary stock, the Company's ownership percentage in IDT Media decreased from 100% to 94.4%.

The Company has historically accounted for sales of stock of its subsidiaries in accordance with Staff Accounting Bulletin No. 51, *Accounting for Sales of Stock by a Subsidiary*, which permits the Company to record the excess of its carrying value in the equity of its subsidiaries as a gain. Accordingly, in connection with this sale, the Company recognized a gain of \$22.4 million. Deferred taxes of \$9.0 million have been provided on the gain.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following information should be read in conjunction with the accompanying condensed consolidated financial statements and the associated notes thereto of this Quarterly Report, and the audited consolidated financial statements and the notes thereto and our Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K/A (Amendment No. 1) for the year ended July 31, 2002, as filed with the United States Securities and Exchange Commission.

As used below, unless the context otherwise requires, the terms "the Company," "IDT," "we," "us," and "our" refer to IDT Corporation, a Delaware corporation, its predecessor, International Discount Telecommunications, Corp., a New York corporation, and their subsidiaries, collectively.

Forward-Looking Statements

This Quarterly Report on Form 10-Q/A (Amendment No. 3), including the notes to the condensed consolidated financial statements, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that contain the words "believes," "anticipates," "expects," "plans," "intends," and similar words and phrases. Such forward-looking statements include, among other things, our plans to implement our growth strategy, improve our financial performance, expand our infrastructure, develop new products and services, expand our sales force, expand our customer base and enter international markets, and the possible outcome of our litigation. Such forward-looking statements also include our expectations concerning factors affecting the markets for our products and services, such as changes in the U.S. and the international regulatory environment and the demand for long-distance telecommunications. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the results projected in any forward-looking statements. These risks and uncertainties include, but are not limited to, those risks discussed in this report. In addition to the factors specifically noted in the forward-looking statements, other important factors that could result in those differences include: potential declines in prices for our products and services; our ability to maintain and grow our retail telecommunications services, particularly our prepaid calling card business; availability of termination capacity; financial stability of our customers; our ability to maintain carrier agreements with foreign carriers; effectiveness of our marketing and distribution efforts; increased competition, particularly from regional bell operating companies; our ability to manage our growth; competitiveness of our Winstar subsidiary; impact of government regulation; our ability to obtain telecommunications products or services required for our products and services; general economic conditions, particularly in the telecommunications markets; and the other factors set forth in our Annual Report on Form 10-K/A (Amendment No. 1) for Fiscal 2002. The forward-looking statements are made as of June 16, 2003, the date of filing of the original Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2003, and we assume no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements. Investors should consult all of the information set forth herein and the other information set forth from time to time in our reports filed with the United States Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, including our Annual Report on Form 10-K/A (Amendment No. 1) for Fiscal 2002.

Overview*General*

IDT Corporation, through our IDT Telecom segment, provides telecommunications services and products to retail and wholesale customers worldwide, including prepaid, private label and rechargeable calling cards, wholesale carrier services and consumer long distance services. We deliver our telecommunications services over a network consisting of more than 200 switches in the United States, Europe and South America. We also own and lease capacity on 16 undersea fiber-optic cables that connect our U.S. facilities with our international facilities and with third-party facilities in Europe, Latin America and Asia. We derive a majority of our revenues from IDT Telecom.

Our Winstar segment, which operates under the name IDT Solutions, offers broadband and telephony services to commercial and governmental customers through its fixed-wireless and fiber infrastructure. We also operate, through our IDT Media segment, several media and entertainment-related businesses, most of which are currently in the early stages of development. IDT Media primarily comprises five business lines: radio, animation, brochure distribution, video-to-desktop delivery, and call center services. Effective October 23, 2001, we re consolidated Net2Phone, which is a provider of voice over Internet Protocol, or VoIP, telephony products and services.

Table of Contents*Outlook*

In recent years, we have derived the majority of our revenues from IDT Telecom's businesses, consisting primarily of our Retail Telecommunications Services segment, which markets prepaid, private label and rechargeable calling cards and consumer long distance services, and our Wholesale Telecommunications Services segment, which markets wholesale carrier services. These businesses have accounted for the bulk of our operating expenses as well (excluding restructuring, severance and impairment charges).

Throughout the remainder of Fiscal 2003, we anticipate increased growth in our wholesale carrier revenues. We anticipate growth in IDT Telecom's Retail Telecommunications Services revenues as well, and we expect Retail Telecommunications Services revenues to continue to account for approximately 70%-75% of IDT Telecom's total revenues in the coming quarters.

The worldwide telecommunications industry has been characterized in recent years by intense price competition, which has resulted in a significant decline in both our average per-minute price realizations and our average per-minute termination costs. Therefore, although IDT Telecom's minutes of use have been increasing strongly, IDT Telecom's revenues have increased at a much slower rate. We expect to see some further price declines throughout the remainder of Fiscal 2003, as the markets in which we compete have generally remained competitive.

Since our acquisition of the Winstar assets in December 2001, the IDT Solutions segment has experienced working capital deficits. We have restructured Winstar's operations by undertaking significant cost saving measures, including the downsizing of the Winstar network and a significant reduction in headcount, aimed at reducing the working capital deficit. However, at this time, we expect IDT Solutions to continue to generate operating losses and to require funding for its capital expenditure needs for the foreseeable future. We expect IDT Solutions to continue to reduce its operating losses throughout the remainder of Fiscal 2003, aided by a combination of increased revenues and continued cost saving measures.

We have also been developing various new businesses within our IDT Media segment. We anticipate that IDT Media will continue to incur significant costs related to its existing and other new businesses. The timing and magnitude of further revenues and/or operating profits from these new businesses remains uncertain. In May 2003, IDT Media's Digital Production Solutions unit (which operates IDT Media's animation business line) acquired a controlling interest in Film Roman, Inc., an independent animation company, through the purchase of newly issued shares of Film Roman common stock. For the year ended December 31, 2002, Film Roman reported revenues of \$43.3 million and a net loss of \$8.6 million. In the upcoming quarters, the results of operations of our IDT Media segment will include the consolidation of Film Roman.

Critical Accounting Policies

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States. Preparing condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in Note 1 to the July 31, 2002 consolidated financial statements included in our Form 10-K/A (Amendment No. 1). Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies for us include revenue recognition, allowance for doubtful accounts, goodwill, and valuation of long-lived and intangible assets. For additional discussion of our critical accounting policies, see our Management's Discussion & Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K/A (Amendment No. 1) for Fiscal 2002.

Three Months Ended April 30, 2003 Compared to Three Months Ended April 30, 2002

In order to enable a straightforward comparison between the three and nine months of Fiscal Year 2003 and the three and nine months of Fiscal Year 2002, and to provide a better understanding of IDT's core operating results for the three and nine months of Fiscal Year 2003, this Form 10-Q/A presents, as additional information, some financial figures excluding the IDT Solutions segment and Net2Phone. The Winstar assets, through which our IDT Solutions segment operates, were acquired during the second quarter of Fiscal Year 2002, and contributed to revenues for only part of that quarter, and Net2Phone was not consolidated for the majority of the first quarter of Fiscal Year 2002.

As discussed in Note 2 to the condensed consolidated financial statements, we have restated our 2002 financial statements to consolidate Net2Phone effective October 23, 2001.

Table of Contents**Results of Operations**

We evaluate the performance of our operating business segments based primarily on income (loss) from operations. Accordingly, certain adjustments are properly not reflected in the operating business segments discussions, but are only reflected in our Consolidated discussion.

Consolidated

Revenues. Our revenues increased 8.4%, from \$419.5 million in the three months ended April 30, 2002 to \$454.9 million in the three months ended April 30, 2003. The increase in our consolidated revenues is mainly attributable to a 14.0% increase in IDT Telecom's revenues, driven by the significant growth in minutes of use. IDT Telecom's minutes of use (excluding minutes related to our consumer long distance business, which are not carried through our own network) grew 43.3% from 3.0 billion in the three months ended April 30, 2002 to 4.3 billion in the three months ended April 30, 2003.

Direct Cost of Revenues. Direct cost of revenues increased by 7.4%, from \$323.1 million in the three months ended April 30, 2002 to \$347.1 million in the three months ended April 30, 2003. The increase is due primarily to the growth in our telecommunications minutes of use. As a percentage of total revenues, direct costs decreased from 77.0% in the three months ended April 30, 2002 to 76.3% in the three months ended April 30, 2003. The decline in direct costs as a percentage of revenues is attributable to overall higher revenues due to the growth of minutes-of-use and because of continued operating efficiency gains and lower prices from suppliers.

Selling, General and Administrative. Selling, general and administrative expenses decreased 20.2%, from \$131.5 million in the three months ended April 30, 2002 to \$105.0 million in the three months ended April 30, 2003. The decrease is due primarily to continuing cost management initiatives and elimination of certain expenses directly related to the restructurings of Net2Phone's operations that were announced during Fiscal 2002 and October 2002. As a percentage of total revenues, selling, general and administrative expenses decreased from 31.4% in the three months ended April 30, 2002 to 23.1% in the three months ended April 30, 2003. Selling, general and administrative expense declined as a percentage of revenues due primarily to the significant growth in our revenues for the three months ended April 30, 2003.

We anticipate that selling, general and administrative expenses will increase in dollar terms in the future, and will continue to be a significant percentage of total revenues, as we expand both IDT Telecom's businesses and our Media businesses.

Depreciation and Amortization. Depreciation and amortization expense decreased 6.3%, from \$23.8 million in the three months ended April 30, 2002 to \$22.3 million in the three months ended April 30, 2003. The decrease is primarily due to the lower asset base as a result of the impairment charge for long-lived assets recognized by Net2Phone during the quarter ended April 30, 2002. As a percentage of revenues, depreciation and amortization expense decreased from 5.7% in the three months ended April 30, 2002 to 4.9% in the three months ended April 30, 2003. Depreciation and amortization expense decreased, as a percentage of revenues, due to the significant growth in our IDT Telecom revenues offset by the expansion of our telecommunications network infrastructure and facilities. We anticipate that depreciation expense will continue to increase in absolute dollars, as we continue to add to our asset base, particularly in IDT Telecom's businesses, as we implement our growth strategy.

Non-cash Compensation. Non-cash compensation charges were \$9.1 million in the three months ended April 30, 2002, compared to \$16.6 million in the three months ended April 30, 2003. Refer to the respective sections of the IDT Telecom, IDT Solutions, Internet Telephony and Corporate segments for a full discussion on non-cash compensation charges.

Restructuring, Severance and Impairment Charges. Restructuring, severance and impairment charges were \$114.4 million in the three months ended April 30, 2002 compared to \$1.7 million in the three months ended April 30, 2003. Refer to the respective section of the Internet Telephony segment for a full discussion on restructuring, severance and impairment charges.

Loss from Operations. Our loss from operations was \$182.3 million in the three months ended April 30, 2002, compared to \$37.9 million in the three months ended April 30, 2003. The reduction in our loss from operations was due primarily to IDT Telecom's increased revenues and gross margins, partially offset by one-time non-cash compensation charges, and also due to Net2Phone's significant restructuring, severance and impairment charges recorded in Fiscal 2002.

Interest. Net interest income was \$4.5 million in the three months ended April 30, 2002, compared to net interest income of \$6.7 million in the three months ended April 30, 2003.

Other Income (Expense). Other income (expense) amounted to an expense of \$4.4 million in the three months ended April

30, 2002, compared to income of \$12.0 million in the three months ended April 30, 2003. Included in other income (expense) in the three months ended April 30, 2003, was a charge of \$1.6 million related to an obligation to guarantee to AT&T

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the value of 1.4 million shares of IDT Class B common stock owned by AT&T, and net losses from other investments totaling \$8.8 million.

On April 17, 2003, a subsidiary of Liberty Media purchased from IDT Media 88,235 newly-issued shares of IDT Media's Class A common stock, at a price of \$283,334 per share, representing an aggregate cash purchase price of \$25.0 million. As a result of this sale of subsidiary stock, our ownership percentage in IDT Media decreased from 100% to 94.4%. In connection with this sale, we recognized a gain of \$22.4 million during the three months ended April 30, 2003.

Included in other expense in the three months ended April 30, 2002 was a \$2.2 million charge related to an obligation to guarantee to AT&T the value of 1.4 million shares of IDT Class B common stock owned by AT&T, and net losses from other investments totaling \$2.2 million.

Minority Interests. Minority interests were \$111.5 million of income and \$1.0 million of expense for the three months ended April 30, 2002 and 2003, respectively. The \$112.5 million increase in minority interest income was primarily attributable to the significant minority interest in Net2Phone, of which we owned 18.6% and 20.1% as of April 30, 2003 and 2002, respectively. Accordingly, we recorded in minority interests the 81.4% and 79.9% of Net2Phone's results attributable to the remaining shareholders of Net2Phone during the three months ended April 30, 2003 and 2002, respectively.

Income Taxes. We recorded an income tax benefit of \$21.2 million in the three months ended April 30, 2002, compared to an income tax benefit of \$10.8 million in the three months ended April 30, 2003.

Net Loss. Our consolidated net loss was \$49.6 million in the three months ended April 30, 2002 compared to a consolidated net loss of \$9.3 million in the three months ended April 30, 2003. The recording of a net loss in the three months ended April 30, 2003 and 2002 was a result of the combined factors for each of the segments discussed below, as well as those items detailed above.

IDT Telecom—Retail Telecommunications Services and Wholesale Telecommunications Services Segments

Revenues. IDT Telecom's revenues increased 14.0%, from \$358.7 million in the three months ended April 30, 2002 to \$409.0 million in the three months ended April 30, 2003.

IDT Telecom's revenues increased primarily as a result of a 43.3% growth in minutes of use (excluding minutes related to our consumer long distance business, which are not carried through our own network) from 3.0 billion in the three months ended April 30, 2002 to 4.3 billion in the three months ended April 30, 2003. IDT Telecom experienced growth in minutes of use in both its Retail Telecommunications Services and Wholesale Telecommunications Services segments, in both the U.S. and international operations. IDT Telecom's minutes of use grew at a faster rate than did its revenues, reflecting a decline in its average revenue-per-minute, from \$0.110 during the three months ended April 30, 2002 to \$0.084 in the three months ended April 30, 2003. IDT Telecom's decrease in its average revenue-per-minute is due to a number of factors, including (i) continued competition in both retail and wholesale markets, and (ii) introduction of new calling cards.

Revenues from IDT Telecom's Retail Telecommunications Services segment increased 5.1%, from \$285.4 million in the three months ended April 30, 2002 to \$299.9 million in the three months ended April 30, 2003. Of this total growth of 5.1%, 2.1% came as a result of increased sales of cards and 3.0% came as a result of higher consumer long distance revenues. As a percentage of IDT Telecom's overall revenue, Retail Telecommunications Services' revenues decreased from 78.3% in the three months ended April 30, 2002 to 73.3% in the three months ended April 30, 2003, as revenues from our Wholesale Telecommunications Services segment grew at a faster rate than did our retail businesses revenues. IDT Telecom's calling card sales increased 2.1%, from \$255.3 million in the three months ended April 30, 2002 to \$260.7 million in the three months ended April 30, 2003. This increase was primarily generated by the introduction of several new calling cards. A new card is generally introduced with attractive low per-minute pricing, which is gradually increased as the card gains acceptance and builds market share. The increase in new card introductions was part of IDT's plan to aggressively seek market share in both its traditional Northeast U.S. markets, as well as in several other key areas, such as California, Florida and Texas. In addition, the growth in our calling card revenues resulted from the expansion of our distribution network beyond our traditional Northeastern U.S. territory, as well as the continued strong growth of European operations, both in our U.K. market as well as in other markets such as Spain, Germany and the Netherlands. Throughout the quarter, several of the recently-launched cards entered the higher-margin, more profitable stages of their lifecycles, resulting in higher overall calling card margins in the United States, when compared to the second quarter of Fiscal 2003.

Calling card sales as a percentage of IDT Telecom's Retail Telecommunications Services revenues decreased from 89.5% in the three months ended April 30, 2002 to 86.9% in the three months ended April 30, 2003, as revenues from consumer long

distance services grew at a faster rate than did calling card revenues. Revenues from consumer long distance services, in which we act as a switchless reseller of another company's network, experienced significant growth in the three months ended April 30, 2003, with revenues increasing 31.3%, from \$29.7 million in the three months ended April 30, 2002 to \$39.0 million in the three

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months ended April 30, 2003. The consumer long distance revenue increase is attributable to the continued growth of our flat rate, \$0.05 a minute long distance calling plan, which has been driven by increased marketing expenditures, resulting in a significant increase in the number of consumer long distance customers. At April 30, 2003, we had approximately 622,000 active customers for our consumer long distance services, compared to approximately 409,000 customers at April 30, 2002. Beginning in early Fiscal 2003, we significantly increased the marketing and advertising expenditures of our consumer long distance business, in an attempt to accelerate the growth of our customer base. These expenditures, while reducing consumer long distance operating profits in the near term, are expected to lead to a rise in the number of active customers, revenues and profits over the longer term. In addition, as our customer base has grown, we have begun to place an increased emphasis on customer retention initiatives. Accordingly, our marketing efforts for our consumer long distance business is now focused on customer retention and increasing the average revenue per customer, in addition to attracting new customers.

Revenues from IDT Telecom's other Retail Telecommunications Services businesses, consisting primarily of call reorigination services, amounted to \$0.5 million in the three months ended April 30, 2002, versus \$0.2 million in the three months ended April 30, 2003.

IDT Telecom's Wholesale Telecommunications Services revenues increased 49.2%, from \$73.2 million in the three months ended April 30, 2002 to \$109.2 million in the three months ended April 30, 2003. As a percentage of IDT Telecom's total revenues, Wholesale Telecommunications Services revenues increased from 20.4% in the three months ended April 30, 2002 to 26.7% in the three months ended April 30, 2003. The increase in revenues resulted from the growth in wholesale carrier minutes, despite a significant decline in the average revenue-per-minute. In recent years, IDT Telecom's wholesale carrier business has curtailed or ceased completely its sales to financially unstable carriers. During the three months ended April 30, 2003, IDT Telecom continued to rebuild its customer base through the addition of new customers and by increasing sales to its larger, more financially stable customers. Increased sales to international telecom carriers accounted for the bulk of the growth in revenues and gross profits during the quarter.

Direct Cost of Revenues. Direct cost of revenues for IDT Telecom increased 16.9%, from \$270.5 million in the three months ended April 30, 2002 to \$316.1 million in the three months ended April 30, 2003, due to the higher revenue and minutes base. As a percentage of total IDT Telecom's revenues, direct costs increased to 77.3% in the three months ended April 30, 2003, from 75.4% in the three months ended April 30, 2002. The increase in direct costs as a percentage of total revenues is attributable to the competitive pricing environment within the telecommunications industry, which resulted in lower revenue per minute price realizations.

Selling, General and Administrative. IDT Telecom's selling, general and administrative expenses decreased 1.9%, from \$62.6 million in the three months ended April 30, 2002 to \$61.4 million in the three months ended April 30, 2003. As a percentage of IDT Telecom's total revenues, selling, general and administrative expenses were 17.5% in the three months ended April 30, 2002, compared to 15.0% in the three months ended April 30, 2003. IDT anticipates that selling, general and administrative expenses will remain steady, in absolute dollar terms, over the next few quarters, and should therefore represent a smaller percentage of revenues, as overall revenues increase.

Depreciation and Amortization. IDT Telecom's depreciation and amortization expense rose 20.0%, from \$13.0 million in the three months ended April 30, 2002, to \$15.6 million in the three months ended April 30, 2003, reflecting the continued expansion of our fixed asset base, as we invest to accommodate our current and anticipated future growth. As a percentage of IDT Telecom's total revenues, depreciation and amortization expense was 3.8% in the three months ended April 30, 2003 compared to 3.6% in the three months ended April 30, 2002.

Non-cash Compensation. IDT Telecom recorded non-cash compensation of \$0.2 million in the three months ended April 30, 2003, relating to stock options granted to certain non-employee consultants.

Income from Operations. IDT Telecom recorded income from operations of \$12.5 million in the three months ended April 30, 2002, compared to income from operations of \$15.7 million in the three months ended April 30, 2003. The increase in income from operations resulted primarily from the revenue growth and improved gross margins.

IDT Solutions Segment

Revenues. Revenues from IDT Solutions decreased 37.2%, from \$33.1 million in the three months ended April 30, 2002 to \$20.8 million in the three months ended April 30, 2003. The third fiscal quarter of 2002 marked the first full quarter of IDT's ownership of IDT Solutions. Since the acquisition of the Winstar assets in December 2001, IDT has significantly restructured and downsized the acquired business including the discontinuation of certain product lines and the exiting of certain geographic locations. These decisions accounted in large part for the decline in revenues versus the prior year.

Throughout the remainder of Fiscal 2003, IDT Solutions will continue to focus its sales force towards targeting small and medium sized businesses, which are concentrated within IDT Solutions' footprint of 3,000 provision-ready buildings (i.e.,

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buildings in which IDT Solutions' technology is currently deployed). IDT Solutions will also continue to target Fortune 500 companies, as well as the various civilian and defense agencies of the U.S. government. IDT Solutions will also be developing an agent channel to support its existing sales force initiatives.

Direct Cost of Revenues. Direct cost of revenues for IDT Solutions decreased 50.8%, from \$42.1 million in the three months ended April 30, 2002 to \$20.7 million in the three months ended April 30, 2003. The decrease in direct cost of revenues is due to the restructuring and downsizing efforts noted above, as well as IDT's efforts to groom the Winstar network to better reflect the needs of its current customer base. Direct cost of revenues consist primarily of two components, connectivity for the network backbone and lease payments for the network of provision-ready buildings. Network backbone costs for the three months ended April 30, 2003 totaled \$13.5 million, accounting for 65.2% of total direct cost of revenues. Direct cost of revenues for the three months ended April 30, 2003 associated with lease payments for the building network were \$7.2 million.

Selling, General and Administrative. Selling, general and administrative expenses of IDT Solutions decreased 45.3%, from \$29.6 million in the three months ended April 30, 2002 to \$16.2 million in the three months ended April 30, 2003. The decrease is primarily due to the significant cost saving measures undertaken by IDT subsequent to the acquisition of the Winstar assets, which included a significant reduction in headcount. The main component of selling, general and administrative expenses for the three months ended April 30, 2003 was employee compensation and benefits, accounting for \$11.9 million, or 73.5% of total selling, general and administrative expenses. Since the acquisition of the Winstar assets in December 2001, the number of employees of Winstar has been reduced from approximately 750 to approximately 520 as of April 30, 2003.

Depreciation and Amortization. Depreciation and amortization was \$2.9 million in the three months ended April 30, 2002 compared to \$3.6 million in the three months ended April 30, 2003. As a percentage of IDT Solutions' revenues, depreciation and amortization increased from 8.8% in the three months ended April 31, 2002 to 17.3% in the three months ended April 30, 2003, primarily due to the lower revenue base as discussed above.

Non-cash Compensation. IDT Solutions recorded non-cash compensation of \$2.3 million in the three months ended April 30, 2002, as a result of modifications to stock option agreements of certain terminated employees.

Loss from Operations. IDT Solutions' loss from operations in the three months ended April 30, 2002 was \$43.9 million, compared to \$19.6 million in the three months ended April 30, 2003. The decrease in loss from operations is due to the significant cost saving measures undertaken by IDT subsequent to the acquisition of the Winstar assets, which included the downsizing of the Winstar network and a significant reduction in headcount, as described above.

IDT Media Segment

In May 2003, IDT Media's Digital Production Solutions unit (which operates IDT Media's animation business line) acquired a controlling interest in Film Roman, Inc., an independent animation company, through the purchase of newly issued shares of Film Roman common stock. For the year ended December 31, 2002, Film Roman reported revenues of \$43.3 million and a net loss of \$8.6 million. In the upcoming quarters, our results from operations will include the consolidation of Film Roman.

Revenues. Revenues from IDT Media's businesses increased 31.0%, from \$4.2 million in the three months ended April 30, 2002 to \$5.5 million in the three months ended April 30, 2003. In Fiscal 2002, IDT Media gradually exited its Digital Subscriber Line ("DSL") business. Currently, IDT Media's revenues are primarily comprised of revenues from its CTM Brochure Display, Inc. business, a brochure distribution company.

Direct Cost of Revenues. Direct cost of revenues decreased from \$0.7 million in the three months ended April 30, 2002 to \$0.4 million in the three months ended April 30, 2003. As a percentage of IDT Media's revenues, these costs decreased from 16.7% for the three months ended April 30, 2002 to 7.3% for the three months ended April 30, 2003. Most of IDT Media's businesses remain in the early stages of their development. As such, we anticipate that direct costs will continue to account for a relatively small percentage of IDT Media's revenues, with most of the expenses associated with these businesses to be incurred in the form of selling, general, administrative and development costs.

Selling, General and Administrative. Selling, general and administrative expenses decreased 16.9%, from \$8.3 million in the three months ended April 30, 2002 to \$6.9 million in the three months ended April 30, 2003. The decrease in selling, general and administrative expenses reflect the exit from the DSL Internet access business and from the video-streaming business, as well as the general refocusing of the portfolio of businesses towards media related businesses. In addition, during Fiscal 2002, IDT Media implemented stricter management controls over operating expenses. Partially offsetting the general

reduction in costs were additional expenses incurred with the startup of a newly created customer service outsourcing operation.

Depreciation and Amortization. Depreciation and amortization expense was \$0.1 million in the three months ended April 30, 2002, versus \$0.6 million in the three months ended April 30, 2003. As a percentage of revenues, depreciation and

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amortization expense increased to 10.9% in the three months ended April 30, 2003, from 2.4% in the three months ended April 30, 2002.

Loss from Operations. Loss from operations in the three months ended April 30, 2002 was \$5.0 million, compared to a loss from operations of \$2.3 million in the three months ended April 30, 2003, reflecting primarily the lower level of selling, general and administrative expenses resulting from stricter management controls over operating expenses, as well as the refocusing of the segment's business portfolio towards media related businesses.

IDT Internet Telephony Segment

The Internet Telephony business segment reflects the results of Net2Phone, which we reconsolidated effective October 23, 2001. As of April 30, 2003, IDT's ownership interest in Net2Phone was approximately 18.6%. Accordingly, IDT recorded approximately 81.4% of Net2Phone's results attributable to the remaining shareholders in the minority interests line of the condensed consolidated statements of operations. Prior to October 23, 2001, we accounted for our investment in Net2Phone under the equity method of accounting and, accordingly, such results were included in the equity in loss of affiliates line of the condensed consolidated statements of operations.

Revenues. Net2Phone's revenues are primarily derived from per-minute charges billed to its customers on a prepaid basis and from the sale of Internet telephony equipment and services to resellers and other carriers. Revenues decreased 16.6% from \$23.5 million in the three months ended April 30, 2002 to \$19.6 million for the three months ended April 30, 2003. In the second quarter of Fiscal 2003, Net2Phone purposefully de-emphasized seeking revenues from relatively low-margin services, such as disposable calling cards, in favor of building up activities to generate revenues in relatively high-margin services, such as international communications services, during the upcoming periods.

Direct Cost of Revenues. Net2Phone's direct cost of revenues consists primarily of network costs associated with carrying customer traffic on its network, wholesale costs of Internet telephony devices, ad serving costs and e-mail box hosting fees. It also includes the cost of purchasing, storing and shipping Internet telephony equipment. Total direct cost of revenues, excluding depreciation and amortization, were \$9.8 million in the three months ended April 30, 2002 compared to \$10.0 million in the three months ended April 30, 2003. As a percentage of total Internet Telephony revenues, total direct costs was 41.7% in the three months ended April 30, 2002 compared to 51.0% in the three months ended April 30, 2003 primarily due to changes in traffic calling patterns

Selling, General and Administrative. Selling, general and administrative expenses consist of employee salaries and benefits, the expenses associated with acquiring customers, including commissions paid to sales partners, advertising costs, referral fees and amounts paid to strategic partners in connection with revenue-sharing arrangements, and the costs of insurance, legal services, rent, utilities, shipping, consulting and other items. Selling, general and administrative expenses decreased 49.4% from \$25.1 million in the three months ended April 30, 2002 to \$12.7 million in the three months ended April 30, 2003. The decrease is due primarily to continuing cost management initiatives and elimination of certain expenses directly related to the restructurings of Net2Phone's operations that were announced during Fiscal 2002 and October 2002. As a percentage of total Internet Telephony revenues, these costs were 106.8% in the three months ended April 30, 2002 compared to 64.8% in the three months ended April 30, 2003. Net2Phone anticipates that selling, general and administrative expenses (excluding restructuring, severance and impairment charges) will decrease for the remainder of Fiscal 2003, as it benefits from the effects of the restructuring of its operations.

Depreciation and Amortization. Depreciation and amortization expense decreased 67.1% from \$7.0 million in the three months ended April 30, 2002 to \$2.3 million in the three months ended April 30, 2003. The decrease is due to the lower asset base as a result of the impairment charge for long-lived assets recognized during the quarter ended April 30, 2002. As a percentage of total Internet Telephony revenues, depreciation and amortization expense was 29.8% in the three months ended April 30, 2002 compared to 11.7% in the three months ended April 30, 2003.

Non-cash Compensation. Non-cash compensation was \$6.7 million in the three months ended April 30, 2002 compared to \$2.7 million in the three months ended April 30, 2003. For the three months ended April 30, 2003, Net2Phone's non-cash compensation primarily resulted from a charge of \$1.0 million related to repriced options which are subject to variable accounting treatment and therefore must be marked-to-market each quarter, and a charge of \$1.1 million for the amortization of the discount of ADIR shares sold to Net2Phone and ADIR employees in Fiscal 2001. The total discount of approximately \$17.9 million is being amortized over the vesting period of such shares.

For the three months ended April 30, 2002, Net2Phone's non-cash compensation of \$6.7 million resulted primarily from a charge of \$2.0 million related to repriced options which are subject to variable accounting treatment and therefore must be

marked-to-market each quarter, a charge of \$1.1 million for the amortization of the discount of ADIR shares sold to Net2Phone and ADIR employees in Fiscal 2001, and for charges taken related to stock options granted at below market value.

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Restructuring, Severance and Impairment Charges. Restructuring, severance and impairment charges were \$114.4 million in the three months ended April 30, 2002 compared to \$1.7 million in the three months ended April 30, 2003. This decrease is due mainly to various impairment charges taken during the third quarter of Fiscal 2002, including an \$83.9 million impairment of fixed assets, a \$11.5 million impairment of goodwill and a \$4.2 million impairment of intangible assets. Also, Net2Phone went through several restructurings during the third quarter of Fiscal 2002, which resulted in significant charges related to workforce reductions, costs associated with exiting various locations and canceling connectivity contracts. Refer to Note 12 of our condensed consolidated financial statements for additional information.

Loss from Operations. Net2Phone's loss from operations was \$139.6 million in the three months ended April 30, 2002 compared to \$9.8 million in the three months ended April 30, 2003. The reduction in our loss from operations was primarily attributable to lower restructuring, severance and impairment charges recorded during the three months ended April 30, 2003. Included in Net2Phone's loss from operations for the three months ended April 30, 2002 and 2003 were \$114.4 million and \$1.7 million, of restructuring, severance and impairment charges, respectively.

Corporate

Our Corporate costs consist of corporate services, such as treasury management costs, corporate governance costs, public relations, corporate management and legal costs, corporate insurance, and other general corporate expenses, as well as depreciation expense on corporate assets. Such corporate services are shared generally by our other operating segments, and are not allocable to any specific segment. Corporate does not generate any revenues, nor does it incur any direct cost of revenues.

Selling, General and Administrative. We incurred \$5.9 million in corporate selling, general and administrative expenses in the three months ended April 30, 2002, compared to \$7.8 million incurred in the three months ended April 30, 2003. The increase is due largely to increased costs of litigation against Telefonica and Terra Networks, S.A. As a percentage of our total consolidated revenues, corporate selling, general and administrative expenses were 1.5% in the three months ended April 30, 2002, compared to 1.7% in the three months ended April 30, 2003.

Depreciation and Amortization. Depreciation expense decreased from \$0.6 million for the three months ended April 30, 2002 to \$0.4 million for the three months ended April 30, 2003.

Non-cash Compensation. Non-cash compensation charges were \$13.7 million in the three months ended April 30, 2003. On April 25, 2003, all then outstanding stock options exercisable for shares of our common stock (which were exercisable for an aggregate of 1.9 million shares) were amended to instead be exercisable for an equal number of shares of our Class B common stock. Because these options were originally recorded under APB No. 25, a new measurement date was triggered and the options were required to be accounted for under the intrinsic value method of accounting. Accordingly, we recorded a non-cash compensation charge for the three months ended April 30, 2003 of \$13.7 million for the modification of the options.

Loss from Operations. Loss from operations was \$6.5 million in the three months ended April 30, 2002, compared to \$21.8 million in the three months ended April 30, 2003, as a result of the higher selling, general and administrative expenses and non-cash compensation noted above.

Nine Months Ended April 30, 2003 Compared to Nine Months Ended April 30, 2002**Results of Operations**

We evaluate the performance of our operating business segments based primarily on income (loss) from operations. Accordingly, certain adjustments are properly not reflected in the operating business segments discussions, but are only reflected in our Consolidated discussion.

Consolidated

Revenues. Our revenues increased 17.0%, from \$1,153.0 million in the nine months ended April 30, 2002 to \$1,348.8 million in the nine months ended April 30, 2003. Excluding revenues from our IDT Solutions segment, which was acquired in December 2001, and our Internet Telephony segment, consisting of Net2Phone, which was reconsolidated effective October 23, 2001, our revenues increased 16.4%, from \$1,047.7 million in the nine months ended April 30, 2002 to \$1,219.5 million in the nine months ended April 30, 2003. The increase in our consolidated revenues (excluding our IDT Solutions and Internet Telephony segments) is mainly attributable to a 16.6% increase in IDT Telecom's revenues. The growth in IDT Telecom's revenues primarily resulted from a 47.0% growth in minutes of use (excluding minutes related to our consumer long distance business, which are not carried through our own network), from 8.3 billion in the nine months ended April 30, 2002 to 12.2 billion in the nine months ended April 30, 2003.

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Direct Cost of Revenues. Direct cost of revenues increased by 16.8%, from \$886.8 million in the nine months ended April 30, 2002 to \$1,036.2 million in the nine months ended April 30, 2003. Excluding direct costs of revenues from our IDT solutions and Internet Telephony segments, direct cost of revenues increased 15.9%, from \$802.2 million in the nine months ended April 30, 2002 to \$929.7 million in the nine months ended April 30, 2003. As a percentage of total revenues, direct costs decreased from 77.0% in the nine months ended April 30, 2002 to 76.8% in the nine months ended April 30, 2003 (and decreased from 76.6% to 76.2% excluding our IDT Solutions and Internet Telephony segments). The decline in direct costs as a percentage of revenues is attributable to overall higher revenues due to the growth of minutes-of-use and because of continued operating efficiency gains and lower prices from suppliers.

Selling, General and Administrative. Selling, general and administrative expenses decreased 4.5%, from \$331.8 million in the nine months ended April 30, 2002 to \$316.9 million in the nine months ended April 30, 2003. Excluding selling, general and administrative expenses from our IDT Solutions and Internet Telephony segments, selling, general and administrative expenses increased 2.9%, from \$219.4 million in the nine months ended April 30, 2002 to \$225.8 million in the nine months ended April 30, 2003, due primarily to the increased sales and marketing efforts of IDT Telecom as well as increased salaries, facilities costs and professional fees related to the expansion of our infrastructure and bases of operation to facilitate our current and anticipated future growth. As a percentage of total revenues, selling, general and administrative expenses decreased from 28.8% in the nine months ended April 30, 2002 to 23.5% in the nine months ended April 30, 2003 (and from 20.9% to 18.5% excluding our IDT Solutions and Internet Telephony segments). Selling, general and administrative expense declined as a percentage of revenues (excluding IDT Solutions and Internet Telephony) due primarily to the significant growth in our revenues for the nine months ended April 30, 2003.

Depreciation and Amortization. Depreciation and amortization expense increased 5.5%, from \$61.9 million in the nine months ended April 30, 2002 to \$65.3 million in the nine months ended April 30, 2003. Excluding depreciation and amortization expense from our IDT Solutions and Internet Telephony segments, depreciation and amortization expense increased 10.9%, from \$43.6 million in the nine months ended April 30, 2002 to \$48.3 million in the nine months ended April 30, 2003, primarily as a result of our higher fixed asset base during the nine months ended April 30, 2003, reflecting the expansion of our telecommunications network infrastructure and facilities. As a percentage of revenues, depreciation and amortization expense decreased from 5.4% in the nine months ended April 30, 2002 to 4.8% in the nine months ended April 30, 2003 (and decreased from 4.2% to 4.0% excluding our IDT Solutions and Internet Telephony segments).

Settlement by Net2Phone of Litigation. Gain on settlement by Net2Phone of litigation was \$58.0 million for the nine months ended April 30, 2003. Refer to the respective section of the Internet Telephony segment for a full discussion on the gain on settlement by Net2Phone of litigation.

Non-cash Compensation. Non-cash compensation charges were \$23.8 million in the nine months ended April 30, 2003 compared to \$15.8 million in the nine months ended April 30, 2002. Refer to the respective sections of the Telecom, IDT Solutions, Corporate and Internet Telephony segments for a discussion on non-cash compensation charges.

Restructuring, Severance and Impairment Charges. Restructuring, severance and impairment charges decreased from \$138.4 million in the nine months ended April 30, 2002 to \$9.0 million in the nine months ended April 30, 2003. Refer to the respective sections of the Internet Telephony and IDT Telecom segments for a full discussion on restructuring, severance and impairment charges.

Loss from Operations. Our loss from operations was \$281.7 million in the nine months ended April 30, 2002 compared to a loss from operations of \$44.3 million in the nine months ended April 30, 2003. Excluding the loss from operations of our IDT Solutions and Internet Telephony segments, our loss from operations was \$20.2 million in the nine months ended April 30, 2002, compared to \$2.5 million in the nine months ended April 30, 2003. The reduction in our loss from operations (excluding our IDT Solutions and Internet Telephony segments) was due primarily to IDT Telecom's increased revenues, gross margins and operating income, partially offset by one-time non-cash compensation charges.

Interest. Net interest income was \$17.2 million in the nine months ended April 30, 2002, compared to net interest income of \$21.3 million in the nine months ended April 30, 2003.

Other Income (Expense). Other income (expense) amounted to an expense of \$16.2 million in the nine months ended April 30, 2002, compared to income of \$3.3 million in the nine months ended April 30, 2003. Included in other income in the nine months ended April 30, 2003, were losses of \$3.8 million associated with recording our pro-rata share of an affiliate's losses, through the equity method of accounting, a charge of \$4.7 million related to an obligation to guarantee to AT&T the value of 1.4 million shares of IDT Class B common stock owned by AT&T, and net losses from other investments totaling \$10.4

million.

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On April 17, 2003, a subsidiary of Liberty Media purchased from IDT Media 88,235 newly-issued shares of IDT Media's Class A common stock, at a price of \$283,334 per share, representing an aggregate cash purchase price of \$25.0 million. In connection with this sale, we recognized a gain of \$22.4 million during the nine months ended April 30, 2003.

Included in other expense in the nine months ended April 30, 2002 were losses of \$5.8 million associated with recording our pro-rata share of Net2Phone's net losses through the equity method of accounting, a charge of \$3.7 million related to an obligation to guarantee to AT&T the value of 1.4 million shares of IDT Class B common stock owned by AT&T, and net losses from other investments totaling \$6.7 million.

Minority Interests. Minority interests were \$147.4 million of income and \$47.0 million of expense for the nine months ended April 30, 2002 and 2003, respectively. The \$194.4 million increase in minority interests was primarily attributable to the significant minority interest in Net2Phone, which we reconstituted effective October 23, 2001. As of April 30, 2003 and 2002 our economic ownership of Net2Phone was 18.6% and 20.1%, respectively. Accordingly, we recorded in minority interests the percentage of Net2Phone's results attributable to the remaining shareholders of Net2Phone (81.4% and 79.9% as of April 30, 2003 and 2002, respectively).

Income Taxes. We recorded an income tax benefit of \$55.2 million in the nine months ended April 30, 2002, compared to an income tax benefit of \$40.8 million in the nine months ended April 30, 2003.

Cumulative Effect of Accounting Change. In accordance with our adoption of SFAS No. 142, as of August 1, 2001, we performed the required impairment tests of goodwill and recorded an impairment charge of \$147.0 million, net of income taxes of \$3.5 million, for the nine months ended April 30, 2002. The impairment charge was recorded as a cumulative effect adjustment of a change in accounting principle. No such charges were recorded during the nine months ended April 30, 2003.

Net Loss. Our consolidated net loss, after the cumulative effect adjustment of a change in accounting principle detailed above, was \$225.1 million in the nine months ended April 30, 2002 compared to consolidated net loss of \$25.9 million in the nine months ended April 30, 2003. The recording of a net loss in the nine months ended April 30, 2002 and 2003, was a result of the combined factors for each of the segments discussed below, as well as those items detailed above.

IDT Telecom—Retail Telecommunications Services and Wholesale Telecommunications Services Segments

Revenues. IDT Telecom's revenues increased 16.6%, from \$1,032.1 million in the nine months ended April 30, 2002 to \$1,203.0 million in the nine months ended April 30, 2003.

IDT Telecom's revenues increased primarily as a result of a 47.0% growth in minutes of use (excluding minutes related to our consumer long distance business, which are not carried through our own network) from 8.3 billion in the nine months ended April 30, 2002 to 12.2 billion in the nine months ended April 30, 2003. IDT Telecom experienced growth in minutes of use in both its Retail Telecommunications Services and Wholesale Telecommunications Services segments, in both the U.S. and international operations. IDT Telecom's minutes of use grew at a faster rate than did its revenues, reflecting a decline in its average revenue-per-minute, from \$0.116 during the nine months ended April 30, 2002 to \$0.088 in the nine months ended April 30, 2003. IDT Telecom's decrease in its average revenue-per-minute is due to a number of factors, including (i) continued competition in both retail and wholesale markets, and (ii) introduction of new calling cards.

Revenues from IDT Telecom's Retail Telecommunications Services segment increased \$89.4 million, or 10.8%, from \$825.5 million in the nine months ended April 30, 2002 to \$914.9 million in the nine months ended April 30, 2003. This growth was largely the result of a \$54.5 million increase in sales of IDT-branded calling cards and a \$34.7 million increase in consumer long distance revenues. As a percentage of IDT Telecom's overall revenue, Retail Telecommunications Services' revenues decreased from 79.6% in the nine months ended April 30, 2002 to 76.1% in the nine months ended April 30, 2003, as revenues from our Wholesale Telecommunications Services segment grew at a faster rate than did our retail businesses revenues. IDT Telecom's calling card sales increased 7.3%, from \$745.5 million in the nine months ended April 30, 2002 to \$800.0 million in the nine months ended April 30, 2003, fueled by the introduction of several new calling cards.

Calling card sales as a percentage of IDT Telecom's Retail Telecommunications Services revenues decreased from 90.3% in the nine months ended April 30, 2002 to 87.4% in the nine months ended April 30, 2003, as revenues from consumer long distance services grew at a faster rate than did calling card revenues. Revenues from consumer long distance services, in which we act as a switchless reseller of another company's network, experienced significant growth in minutes of use in the nine months ended April 30, 2003, with revenues increasing 45.7%, from \$78.2 million in the nine months ended April 30, 2002 to \$113.9 million in the nine months ended April 30, 2003. The consumer long distance revenue increase is attributable to the continued growth of our flat rate, \$0.05 a minute long distance calling plan, which has been driven by increased

marketing expenditures, resulting in a significant increase in the number of consumer long distance customers.

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Revenues from IDT Telecom's other Retail Telecommunications Services businesses, consisting primarily of call reorigination services, amounted to \$1.9 million in the nine months ended April 30, 2002, versus \$1.0 million in the nine months ended April 30, 2003.

IDT Telecom's Wholesale Telecommunications Services revenues increased 39.5%, from \$206.6 million in the nine months ended April 30, 2002 to \$288.2 million in the nine months ended April 30, 2003. As a percentage of IDT Telecom's total revenues, Wholesale Telecommunications Services revenues increased from 20.0% in the nine months ended April 30, 2002 to 24.0% in the nine months ended April 30, 2003. The increase in revenues occurred as a result of an increase in wholesale carrier minutes, despite a significant decline in the average revenue-per-minute.

Direct Cost of Revenues. Direct cost of revenues for IDT Telecom increased 16.0%, from \$800.4 million in the nine months ended April 30, 2002 to \$928.3 million in the nine months ended April 30, 2003, due to the higher revenue and minutes base. As a percentage of total IDT Telecom's revenues, direct costs declined to 77.2% in the nine months ended April 30, 2003, from 77.6% in the nine months ended April 30, 2002. The decrease in direct costs as a percentage of total revenues is attributable to overall higher revenues due to the strong growth of minutes-of-use and because of continued operating efficiency gains and lower prices from suppliers. The decrease in direct costs as a percentage of total revenues occurred despite the lower revenue per minute price realization and despite increases in our costs for toll-free "800" traffic, and network related costs, due to our strong growth of minutes-of-use.

Selling, General and Administrative. IDT Telecom's selling, general and administrative expenses increased 5.1%, from \$172.9 million in the nine months ended April 30, 2002 to \$181.7 million in the nine months ended April 30, 2003. The increase in selling, general and administrative expenses for IDT Telecom's operations is due to several factors, including increased sales and marketing efforts for our Retail Telecommunications Services segment, such as calling cards and consumer long distance, as well as increased salaries, facilities costs and professional fees related to the expansion of our infrastructure and bases of operation to facilitate our current and anticipated future sales growth. As a percentage of IDT Telecom's total revenues, selling, general and administrative expenses were 16.8% in the nine months ended April 30, 2002, compared to 15.1% in the nine months ended April 30, 2003.

Depreciation and Amortization. IDT Telecom's depreciation and amortization expense rose 16.2%, from \$39.4 million in the nine months ended April 30, 2002, to \$45.8 million in the nine months ended April 30, 2003, reflecting the continued expansion of our fixed asset base, as we invest to accommodate our current and anticipated future growth. As a percentage of IDT Telecom's total revenues, depreciation and amortization expense was 3.8% in the nine months ended April 30, 2002 and 2003.

Non-cash Compensation. IDT Telecom recorded non-cash compensation of \$2.5 million in the nine months ended April 30, 2003, primarily attributable to the modification of stock option agreements of certain terminated employees.

Restructuring, Severance, and Impairment Charges. Impairment charges of \$2.8 million and \$1.5 million were recorded by IDT Telecom during the nine months ended April 30, 2002 and 2003, respectively, resulting primarily from the write down of certain decommissioned European telecommunications switch equipment, and the write-off of a discontinued Indefeasible Right of Use ("IRU"), respectively.

Income from Operations. IDT Telecom recorded income from operations of \$16.7 million in the nine months ended April 30, 2002, compared to income from operations of \$43.4 million in the nine months ended April 30, 2003. The increase in income from operations resulted primarily from the revenue growth and improved gross margins.

IDT Solutions Segment

We acquired the assets currently held by Winstar on December 19, 2001. Accordingly, the results of operations for our IDT Solutions segment, which operates through Winstar, for the nine months ended April 30, 2002, reflect only the results of operations during such period that we owned and operated Winstar.

Revenues. Revenues from IDT Solutions increased 26.0%, from \$52.3 million in the nine months ended April 30, 2002 to \$65.9 million in the nine months ended April 30, 2003. The increase in revenues is due to the fact that the Winstar assets were acquired in December 2001, and therefore generated revenues for only a portion of the nine months ended April 30, 2002.

Direct Cost of Revenues. Direct cost of revenues for IDT Solutions increased 17.6%, from \$62.5 million in the nine months ended April 30, 2002 to \$73.5 million in the nine months ended April 30, 2003. The increase in direct cost of revenues is due to the fact that the Winstar assets were acquired in December 2001 and therefore generated revenues and costs for only a

portion of the nine months ended April 30, 2002. Direct cost of revenues consist primarily of two components, connectivity for the network backbone and lease payments for the network of provision-ready buildings. Network backbone costs for the nine months ended April 30, 2003 totaled \$51.0 million, accounting for 69.4% of total direct cost of revenues. Direct cost of revenues for the nine months April 30, 2003 associated with lease payments for the building network were \$22.0 million.

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Selling, General and Administrative. Selling, general and administrative expenses of IDT Solutions increased 6.4%, from \$47.1 million in the nine months ended April 30, 2002 to \$50.1 million in the nine months ended April 30, 2003. The increase is due to the fact that the Winstar assets were acquired in December 2001 and therefore generated revenues and expenses for only a portion of the nine months ended April 30, 2002. The main component of selling, general and administrative expenses for the nine months ended April 30, 2003 was employee compensation and benefits, accounting for \$35.6 million, or about 71.1% of total selling, general and administrative expenses.

Depreciation and Amortization. Depreciation and amortization expense increased 197.0%, from \$3.3 million in the nine months ended April 30, 2002 to \$9.8 million in the nine months ended April 30, 2003. The increase is due to the fact that the Winstar assets were acquired in December 2001, and therefore depreciation on such assets was only recorded for a portion of the nine months ended April 30, 2002. As a percentage of IDT Solutions revenues, depreciation and amortization was 6.3% in the nine months ended April 30, 2002 compared to 14.9% in the nine months ended April 30, 2003.

Non-cash Compensation. IDT Solutions recorded non-cash compensation of \$2.3 million in the nine months ended April 30, 2002, attributable to the modification of stock option agreements of certain terminated employees.

Loss from Operations. IDT Solutions' loss from operations in the nine months ended April 30, 2002 was \$63.0 million, compared to \$67.5 million in the nine months ended April 30, 2003. The increase in loss from operations is primarily attributable to the increase in selling, general and administrative expenses and in depreciation and amortization, as the nine months ended April 30, 2002 reflect only the results of operations during such period that we owned and operated Winstar.

IDT Media Segment

Revenues. Revenues from the IDT Media segment increased 5.8%, from \$15.6 million in the nine months ended April 30, 2002 to \$16.5 million in the nine months ended April 30, 2003. In Fiscal 2002, IDT Media gradually exited its DSL business. Currently, IDT Media's revenues are primarily comprised of revenues from CTM.

Direct Cost of Revenues. Direct cost of revenues decreased from \$1.8 million in the nine months ended April 30, 2002 to \$1.5 million in the nine months ended April 30, 2003. As a percentage of IDT Media's revenues, direct cost of revenues decreased from 11.5% in the nine months ended April 30, 2002 to 9.1% in the nine months ended April 30, 2003. Most of IDT Media's businesses remain in the early stages of their development. As such, we anticipate that direct costs will continue to account for a relatively small percentage of IDT Media's revenues, with most of the expenses associated with these businesses to be incurred in the form of selling, general, administrative and development costs.

Selling, General and Administrative. Selling, general and administrative expenses decreased 30.1%, from \$28.9 million in the nine months ended April 30, 2002 to \$20.2 million in the nine months ended April 30, 2003. The decrease in selling, general, and administrative expenses reflect the exit from the DSL Internet access business and from the video-streaming business, as well as the general refocusing of the portfolio of businesses towards media related businesses. In addition, during Fiscal 2002, IDT Media implemented stricter management controls over operating expenses. Partially offsetting the general reduction in costs were additional expenses incurred with the startup of a newly created customer service operation.

Depreciation and Amortization. Depreciation and amortization expense was \$2.2 million in the nine months ended April 30, 2002, versus \$1.2 million in the nine months ended April 30, 2003. This decrease is due to the reduced fixed asset base resulting from our sale of our former DSL business. As a percentage of revenues, depreciation and amortization expense fell to 7.3% in the nine months ended April 30, 2003, from 14.1% in the nine months ended April 30, 2002.

Loss from Operations. Loss from operations in the nine months ended April 30, 2002 was \$17.2 million, compared to a loss from operations of \$6.4 million in the nine months ended April 30, 2003, reflecting the lower level of selling, general and administrative expenses resulting from stricter management controls over operating expenses, as well as the refocusing of the segment's business portfolio towards media related businesses.

IDT Internet Telephony Segment

The Internet Telephony business segment reflects the results of Net2Phone, which was reconsolidated effective October 23, 2001.

Revenues. Revenues increased 19.6% from \$53.0 million in the nine months ended April 30, 2002 to \$63.4 million for the nine months ended April 30, 2003. The increase is primarily attributable to the shorter Fiscal Year 2002 base period, as Net2Phone was reconsolidated effective October 23, 2001. In addition, during the nine months ended April 30, 2003, Net2Phone has concentrated its marketing and sales efforts towards building up activities to generate revenues in relatively

high-margin services, such as international communications services, during the upcoming periods.

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Direct Cost of Revenues. Total direct cost of revenues, excluding depreciation and amortization, increased 50.0% from \$22.0 million in the nine months ended April 30, 2002 to \$33.0 million in the nine months ended April 30, 2003. The increase is primarily attributable to the shorter Fiscal Year 2002 base period, as Net2Phone was reconsolidated effective October 23, 2001. As a percentage of total Internet Telephony revenues, total direct costs was 41.5% in the nine months ended April 30, 2002 compared to 52.1% in the nine months ended April 30, 2003.

Selling, General and Administrative. Selling, general and administrative expenses decreased 37.2% from \$65.3 million in the nine months ended April 30, 2002 to \$41.0 million in the nine months ended April 30, 2003. The decrease is attributable to continuing cost management initiatives and elimination of certain expenses directly related to the restructurings of Net2Phone's operations that were announced during Fiscal 2002 and October 2002, offset by an increase attributable to the shorter Fiscal Year 2002 base period, as Net2Phone was reconsolidated effective October 23, 2001. As a percentage of total Internet Telephony revenues, these costs were 123.0% in the nine months ended April 30, 2002 compared to 64.7% in the nine months ended April 30, 2003.

Depreciation and Amortization. Depreciation and amortization expense decreased 52.0% from \$15.0 million in the nine months ended April 30, 2002 to \$7.2 million in the nine months ended April 30, 2003. The decrease is due to the lower asset base as a result of the impairment charge for long-lived assets recognized during the quarter ended April 30, 2002, offset by the shorter Fiscal Year 2002 base period, as Net2Phone was reconsolidated effective October 23, 2001. As a percentage of total Internet Telephony revenues, depreciation and amortization expense was 28.3% in the nine months ended April 30, 2002 compared to 11.4% in the nine months ended April 30, 2003.

Settlement by Net2Phone of Litigation. Gain on settlement by Net2Phone of litigation was \$58.0 million in the nine months ended April 30, 2003. On March 19, 2002 Net2Phone and its ADIR Technologies, Inc. subsidiary filed suit in the United States District Court for the District of New Jersey against Cisco Systems, Inc. and a Cisco executive who had been a member of ADIR's 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 recognized for the quarter ended October 31, 2002, a gain of \$58.4 million consisting of (i) a \$38.9 million reduction in Net2Phone's minority interests in ADIR as a result of the transfer of the ADIR shares, and (ii) the receipt of settlement proceeds of \$19.5 million. During the second quarter of Fiscal 2003, Net2Phone recorded an additional \$0.4 million in executive compensation expense directly related to the Cisco settlement.

Non-cash Compensation. Non-cash compensation was \$13.5 million in the nine months ended April 30, 2002 compared to \$7.1 million in the nine months ended April 30, 2003. These amounts include charges of \$2.0 million and \$2.7 million during the nine months ended April 30, 2002 and 2003, respectively, relating to repriced options which are subject to variable accounting treatment and therefore must be marked-to-market each quarter. In addition, charges of \$3.3 million were recorded during both periods for the amortization of the discount of ADIR shares sold to Net2Phone and ADIR employees in Fiscal 2001. The non-cash compensation for the nine months ended April 30, 2002 also includes charges resulting from stock options granted at below market value by Net2Phone.

Restructuring, Severance and Impairment Charges. Restructuring, severance and impairment charges were \$135.6 million in the nine months ended April 30, 2002 compared to \$7.6 million in the nine months ended April 30, 2003. For the nine months ended April 30, 2003, the charges consisted primarily from severance of \$3.2 million, relating to the consolidation in the first quarter of Fiscal 2003 of Net2Phone's development and support organizations. In addition, Net2Phone recorded \$3.0 million of severance costs for certain former executives, \$1.9 million of asset impairment charges, and \$1.8 million of costs to exit various locations and eliminate network buildouts. These costs were partially offset by Net2Phone's reversal of a reserve related to successful settlement negotiations with vendors regarding cancellation charges.

During the third quarter of Fiscal 2002 various impairment charges were taken, including an \$83.9 million impairment of fixed assets, a \$11.5 million impairment of goodwill and a \$4.2 million impairment of intangible assets. Also, Net2Phone went through several restructurings during the third quarter of Fiscal 2002, which resulted in significant charges related to workforce reductions, exit costs associated with exiting various locations and cancellation of connectivity contracts. Refer to Note 12 of our condensed consolidated financial statements for additional information.

Income (Loss) from Operations. Income (loss) from Net2Phone's operations was \$198.6 million loss from operations in the nine months ended April 30, 2002 compared to \$25.7 million of income from operations in the nine months ended April 30,

2003. Included in Net2Phone's income from operations for the nine months ended April 30, 2003 were \$7.6 million of restructuring, severance and impairment charges and a \$58.0 million gain from the settlement by Net2Phone of litigation.

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Included in Net2Phone's loss from operations for the nine months ended April 30, 2002 were \$135.6 million of restructuring, severance and impairment charges.

Corporate

Our Corporate costs consist of corporate services, such as treasury management costs, corporate governance costs, public relations, corporate management and legal costs, corporate insurance, and other general corporate expenses, as well as depreciation expense on corporate assets. Such corporate services are shared generally by our other operating segments, and are not allocable to any specific segment. Corporate does not generate any revenues, nor does it incur any direct cost of revenues.

Selling, General and Administrative. We incurred \$17.6 million in corporate selling, general and administrative expenses in the nine months ended April 30, 2002, compared to \$23.9 million incurred in the nine months ended April 30, 2003. The increase is due largely to increased costs of litigation against Telefonica and Terra Networks, S.A. As a percentage of our total consolidated revenues, corporate selling, general and administrative expenses were 1.6% in the nine months ended April 30, 2002, compared to 1.8% in the nine months ended April 30, 2003.

Depreciation and Amortization. Depreciation expense decreased from \$2.0 million for the nine months ended April 30, 2002 to \$1.3 million for the nine months ended April 30, 2003.

Non-cash Compensation. Non-cash compensation charges were \$14.2 million in the nine months ended April 30, 2003. On April 25, 2003, all then outstanding options exercisable for shares of our common stock (which were exercisable for an aggregate of 1.9 million shares) were amended to instead be exercisable for an equal number of shares of our Class B common stock. Because these options were originally recorded under APB No. 25, a new measurement date was triggered and the options were required to be accounted for under the intrinsic value method of accounting. Accordingly, we recorded a non-cash compensation charge for the nine months ended April 30, 2003 of \$13.7 million for the modification of the options.

In addition, we recorded \$0.5 million of non-cash compensation attributable to shares of Class B common stock that we issued to an outside consultant.

Loss from Operations. Loss from operations was \$19.6 million in the nine months ended April 30, 2002, compared to \$39.4 million in the nine months ended April 30, 2003, as a result of the higher selling, general and administrative expenses and non-cash compensation noted above.

Liquidity and Capital Resources**General**

Historically, we have satisfied our cash requirements through a combination of cash flow from operating activities, sales of equity and debt securities and borrowings from third parties. Additionally, we received approximately \$1.0 billion from the sale of Net2Phone Class A common stock to AT&T in August 2000. Since that time, our cash requirements have been satisfied for the most part through our existing cash, cash equivalents and marketable securities balances.

As of April 30, 2003, we had cash, restricted cash, cash equivalents, and marketable securities of \$1.1 billion, which includes \$102.0 million held by Net2Phone, and working capital of \$808.1 million. We used cash flow in operating activities of \$11.2 million and \$27.8 million during the nine months ended April 30, 2003 and 2002, respectively. Our cash flow from operations varies significantly from quarter to quarter and from year to year, depending on the timing of operating cash receipts and payments, especially trade accounts receivable and trade accounts payable. Gross trade accounts receivable, accrued expenses and deferred revenue have generally increased from period to period as our businesses have grown.

We used \$161.4 million and \$260.9 million in cash to fund investing activities during the nine months ended April 30, 2003 and 2002, respectively. The primary use of cash for investing activities during the nine months ended April 30, 2003 was for the net purchases of \$92.6 million of marketable securities (primarily U.S. Government Agency Obligations). Our capital expenditure investments were approximately \$51.4 million in the nine months ended April 30, 2003, compared to approximately \$36.2 million in the nine months ended April 30, 2002, as we have continued to expand IDT Telecom's international and domestic telecommunications network infrastructure. The future minimum payments of principal and interest on our capital lease obligations are \$8.3 million, \$26.4 million, \$16.6 million, \$13.0 million, \$3.1 million, and \$2.4 million for the remainder of Fiscal 2003, Fiscal 2004, Fiscal 2005, Fiscal 2006, Fiscal 2007, and thereafter, respectively. Throughout Fiscal 2003 to date, we have made considerable expenditures designed to expand our global telecommunications network. Key elements of our network expansion plan for Fiscal 2003 to date included the addition of a second international gateway switch in the UK and another international gateway switch in the U.S. We now operate a total of nine international

gateway switches, broken down as follows: five in the U.S., two in the UK and one each in Argentina and Peru. Over the remainder of Fiscal 2003, IDT anticipates making additional expenditures to expand our calling card platform in the U.S. and to upgrade our network in South America. For the full 2003 fiscal year, we anticipate capital expenditures in the \$60 million to \$70 million range. We anticipate further expansion of

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our worldwide switching network in Fiscal 2004, with the addition of at least one international gateway switch in each of the U.S. and UK portions of our network. In addition, we anticipate making further expenditures to bolster our network infrastructure in South America and Asia. We currently anticipate that capital expenditures for Fiscal 2004 will be in the \$50 million to \$75 million range. These estimates are contingent upon several factors, including, but not limited to, market prices for telecommunications equipment, the availability of such equipment in the distressed asset market and the specific timing of our network expansion projects. We have generally adopted a strategy of investing in network expansion only as the need arises, as dictated by our telecommunications traffic volumes. Therefore, the timing of our network expansion, and the coincident purchases of property, plant and equipment, are highly dependent upon the timing and magnitude of the growth in our telecommunications minutes-of-use. We expect to fund our purchases of property, plant and equipment from our operating cash flows and our cash, cash equivalents and marketable securities balances. From time to time, we will also finance a portion of our capital expenditures through capital leases, with the cost of such financing the primary consideration in determining our financing activity.

Our Board of Directors has authorized the repurchase of up to 45 million shares of our common stock and Class B common stock. We have repurchased a total of 15.6 million shares under the share repurchase program through Fiscal 2002, of which 6.2 million shares were retired as of July 31, 2002. No additional shares were purchased or retired during the nine months ended April 30, 2003.

We used \$21.8 million in cash to fund our financing activities during the nine months ended April 30, 2003, compared to \$29.8 million in cash flow that was provided by our financing activities during the nine months ended April 30, 2002. We received approximately \$10.0 million in proceeds from the exercise of stock options during the nine months ended April 30, 2003, compared to \$44.5 million received during the nine months ended April 30, 2002. In addition, we received proceeds of \$25.0 million during the nine months ended April 30, 2003 from the sale of shares of our IDT Media subsidiary stock, compared to \$30.0 million received during the nine months ended April 30, 2002 from the sale of shares of our IDT Telecom subsidiary stock. We also paid \$15.6 million to repurchase IDT shares during the nine months ended April 30, 2002, through our stock buyback program, mentioned above.

We experience intense price competition in our telecommunications businesses. The long distance telecommunications industry has been characterized by significant declines in both per-minute revenues and per-minute costs, as evidenced by IDT Telecom's experience during Fiscal 2002 and the nine months ended April 30, 2003. During the nine months ended April 30, 2003, IDT Telecom's average revenue-per-minute was \$0.088 per minute, down 24.1% from \$0.116 per minute for the nine months ended April 30, 2002. However, IDT Telecom's average termination cost per-minute dropped approximately 21.9%, to \$0.075 in the nine months ended April 30, 2003, from \$0.096 in the nine months ended April 30, 2002.

In the past, and over time, we believe that these factors tend to offset each other, with prices and costs moving in the same general direction. However, over a shorter term, such as one quarter or one year, the drop in pricing could outpace the drop in costs, or vice versa. In addition, due to continued pricing pressure in most of the retail and wholesale markets in which we compete, we might be compelled to pass along most or all of our per-minute cost savings to our customers in the form of lower rates. We might also be unable, in the event that some of our per-minute costs rise, to immediately pass along the additional costs to our customers in the form of higher rates. Consequently, over any given period, gross margins could expand or narrow, based solely on the timing of changes in revenue-per-minute and cost-per-minute. Our long-term strategy involves terminating a larger proportion of minutes on our own network, thereby lowering costs and preserving margins even in a weaker price environment, as we become less subject to the prices charged by third parties for terminating our minutes over their networks. In addition, as our minutes-of-use have steadily grown, we have attempted to leverage our buying power and our strong balance sheet to negotiate more favorable rates with our suppliers. However, in the short term, the incremental demand for usage might outpace the rate of deployment of additional network capacity, particularly in light of our expectation for continued growth in our minutes volume. As such, there can be no assurance that we will be able to maintain our gross margins at the current level, in the face of lower per-minute revenues.

We continued to fund our IDT Media segment throughout the first nine months of Fiscal 2003, incurring significant start-up, development, marketing and promotional costs. Due to the start-up nature of many of the IDT Media businesses, the exact timing and magnitude of future revenues remains difficult to predict. As such, we anticipate that IDT Media will continue to rely on us to fund its cash needs, including operating expenses, capital expenditures and potential acquisitions. Currently, IDT Media is aggressively pursuing acquisitions and/or other investments, primarily in its radio and animation business lines.

On April 17, 2003, a subsidiary of Liberty Media purchased from IDT Media 88,235 newly-issued shares of IDT Media's Class A common stock, at a price of \$283,334 per share, representing an aggregate cash purchase price of \$25.0 million. We may continue to look to outside investors to fund IDT Media's ongoing expansion, which may include similar transactions

occurring in future years.

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Since our acquisition of the Winstar assets in December 2001, the IDT Solutions segment has experienced working capital deficits. We have undertaken significant cost saving measures and restructured IDT Solution's operations, which included the downsizing of the Winstar network and a significant reduction in headcount, aimed at reducing the working capital deficit. However, at this time, IDT foresees that it will be required to continue funding IDT Solution's operating losses and capital expenditure needs for the foreseeable future.

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

Our other current assets increased from \$78.8 million at July 31, 2002 to \$88.2 million at April 30, 2003, due to increases in inventories and other receivables. Gross trade accounts receivable increased from \$168.2 million at July 31, 2002 to \$172.1 million at April 30, 2003, reflecting primarily the increase in revenues. The average age of our gross accounts receivable, as measured by number of days sales outstanding, has remained constant during the first nine months of Fiscal 2003.

Due to the wide range of collection terms, future trends with respect to days sales outstanding generally depends on the proportion of total sales made to carriers, who are often offered payment terms of 30 days or more, and prepaid calling card distributors, who generally receive payment terms of less than 30 days. As such, the trends in days sales outstanding will depend, in large part, on the mix of wholesale (carrier) versus retail (prepaid calling card distributor) customers. As we anticipate that in the near term we will attempt to continue to secure shorter payment terms from some of our customers, we could experience declines in the average age of our trade accounts receivable throughout the remainder of Fiscal 2003.

Conversely, as we are willing to extend longer payment terms to more credit-worthy customers, an increase in customers belonging to the highest credit classes, as a percentage of total customers, could lead to an increase in days sales outstanding. In addition, if we restricted sales to financially unstable customers, regardless of the credit terms, the proportion of higher-credit class customers will increase further, potentially leading to an increase in the average days sales outstanding. In addition, days sales outstanding for our consumer long distance customers is usually longer than 30 days, given the timing of the billing cycle. As the consumer long distance business continues to grow and to represent a larger portion of our retail telecommunications services revenues and receivables, we expect that total retail days sales outstanding should increase accordingly. Therefore, due to the conflicting nature of the above factors, future trends in days sales outstanding remain difficult to predict, and it is not possible at this time to determine whether recent trends in days sales outstanding will continue.

The allowance for doubtful accounts as a percentage of gross trade accounts receivable decreased from 23.3% at July 31, 2002, to 22.6% at April 30, 2003, primarily as a result of our writing-off, against the allowance for doubtful accounts, certain uncollectible trade accounts receivable from our consumer long distance business.

Deferred revenue as a percentage of total revenues vary from period to period, depending on the mix and the timing of revenues. During the first nine months of Fiscal 2003, we experienced a steady increase in sales of our calling cards due to increased marketing efforts for existing IDT calling cards and the continued strong growth of our European calling card operations. This resulted in a continued increase in deferred revenue. We expect to experience increases in our deferred revenue throughout the remainder of Fiscal 2003, owing to a continued increase in calling card sales.

Significant Transactions

On October 23, 2001, IDT, Liberty Media and AT&T formed a limited liability company ("LLC"), which through a series of transactions among IDT, Liberty Media and AT&T held an aggregate of 28.9 million shares of Net2Phone's Class A common stock, representing approximately 48% of Net2Phone's outstanding capital stock. The operating agreement of the LLC provides unilateral liquidation rights to each of its members whereby any member of the LLC may cause the LLC to liquidate and dissolve by providing written notice at any time on or after January 1, 2004 to the other LLC members of its desire to cause such liquidation and dissolution. Because the LLC holds Class A common stock with two votes per share, the LLC has approximately 65% of the shareholder voting power in Net2Phone. IDT holds the controlling membership interest in the LLC and is the managing member of the LLC. Under the terms of the Second Amended and Restated Limited Liability Company Agreement of NTOP Holdings (the "LLC Agreement"), we were granted the right to appoint the entire board of managers (including one nominee of Liberty Media) of NTOP Holdings. The board of managers directs the voting of all Net2Phone shares held by NTOP Holdings, thereby giving us effective control over the voting of the Net2Phone shares (but not their disposition, which requires consent of the members) held by NTOP Holdings. Therefore, effective October 23, 2001, we reconsolidated our investment in Net2Phone.

Pursuant to the operating agreement of the LLC, AT&T received 29 Class A units of the LLC, and had the right to put 6 of these units to IDT and 23 of these units to Liberty Media after one year. On October 29, 2002, AT&T exercised its put rights and sold all of its Class A units to IDT and Liberty Media for a nominal amount. As a result of this transaction, AT&T is no

longer a member of the LLC. IDT continues to hold the controlling membership interest in the LLC and is the managing member of the LLC. As of April 30, 2003, IDT's effective equity investment in Net2Phone (through the LLC) was 18.6%. Accordingly, we recorded in minority interests the 81.4% of Net2Phone's results attributable to the remaining shareholders of Net2Phone.

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On April 17, 2003, a subsidiary of Liberty Media purchased from IDT Media 88.235 newly-issued shares of IDT Media's Class A common stock, at a price of \$283,334 per share, representing an aggregate cash purchase price of \$25.0 million. As a result of this sale of subsidiary stock, our ownership percentage in IDT Media decreased from 100% to 94.4%. We have historically accounted for sales of stock of our subsidiaries in accordance with Staff Accounting Bulletin No. 51, *Accounting for Sales of Stock by a Subsidiary*, which permits us to record the excess of our carrying value in the equity of our subsidiaries as a gain. Accordingly, in connection with this sale, we recognized a gain of \$22.4 million.

On April 25, 2003, all then outstanding stock options exercisable for shares of our common stock (which were exercisable for an aggregate of 1.9 million shares) were amended to instead be exercisable for an equal number of shares of our Class B common stock. Because these options were originally recorded under APB No. 25, a new measurement date was triggered and the options were required to be accounted for under the intrinsic value method of accounting. As a result, we recorded a non-cash compensation charge for the three and nine months ended April 30, 2003 of \$13.7 million for the modification of the options. In addition, on April 25, 2003, the Board of Directors also authorized that all shares of Class B common stock held as treasury stock be allocated for issuance in connection with the above transaction.

Other Sources and Uses of Resources

We intend to, where appropriate, make strategic acquisitions to expand our telecommunications businesses. These acquisitions could include, but are not limited to, acquisitions of telecommunications equipment, telecommunications network capacity, customer bases or other assets. From time to time, we evaluate potential acquisitions of companies, technologies, products and customer accounts that complement our businesses, particularly in light of the financial distress currently being encountered by many telecommunications firms. These conditions have resulted in the availability for sale of numerous strategic assets and businesses. We will also consider making appropriate acquisitions that would complement our IDT Media segment's portfolio of businesses. Consequently, we used approximately \$10.3 million of our cash during the nine months ended April 30, 2003, to acquire various investments in other companies, compared to \$88.4 used during the nine months ended April 30, 2002. We will continue to evaluate acquisition opportunities as they are made available to us. In considering acquisitions, we will search for opportunities to profitably grow our existing businesses, to add qualitatively to the range of businesses in the IDT portfolio, and to supplement our existing network expansion plans through the timely purchase from third parties of necessary equipment. At this time, we cannot guarantee that we will be presented with acquisition opportunities that meet our return on investment (ROI) criteria, or that our efforts to acquire such companies that meet our criteria will be successful.

We believe that, based upon our present business plan, and due to the large balance of cash, restricted cash, cash equivalents and marketable securities we held as of April 30, 2003, our existing cash resources will be sufficient to meet our currently anticipated working capital and capital expenditure requirements and to fund any potential operating cash flow deficits within any of our divisions for at least the next twelve months. If our growth exceeds current expectations or if we acquire the business or assets of another company, we might need to raise additional capital from equity or debt sources. There can be no assurance that we will be able to raise such capital on favorable terms or at all. If we are unable to obtain such additional capital, we may be required to reduce the scope of our anticipated expansion, which could have a material adverse effect on our business, financial condition and/or results of operations.

The following tables quantify our future contractual obligations and other commercial commitments, which consist primarily of capital and operating leases and standby letters of credit as of April 30, 2003 (in millions):

Contractual Obligations**Payments Due by Period**

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Capital lease obligations	\$ 69.8	\$ 27.6	\$ 30.2	\$ 10.8	\$ 1.2
Operating leases	442.8	87.7	108.6	90.0	156.5
Other long-term obligations (1)	22.5	5.3	—	17.2	—
Total contractual cash obligations	\$535.1	\$ 120.6	\$ 138.8	\$ 118.0	\$157.7

(1) Consists of (i) our \$5.3 million obligation to guarantee to AT&T the value of 1.4 million shares of IDT Class B common

stock owned by AT&T and (ii) Net2Phone's \$17.2 million obligation to guarantee the value of 0.6 million shares of Net2Phone's common stock to certain former shareholders of Aplio, a Net2Phone subsidiary.

Table of Contents**Other Commercial Commitments****Payments Due by Period**

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Capital lease obligations	\$31.1	\$ 2.2	\$ 77.7	\$ 20.0	\$ 1.2
Operating leases	3.6	0.2	—	0.3	3.1
Total contractual cash obligations	\$34.7	\$ 2.4	\$ 7.7	\$ 20.3	\$ 4.3

Foreign Currency Risk

Revenues from our international operations accounted for approximately 20% of our consolidated revenues for the nine months ended April 30, 2003. A significant portion of these revenues are in denominations other than the U.S. Dollar. Any foreign currency exchange risk that we are subject to is mitigated by our ability to offset the majority of these non dollar-denominated revenues with operating expenses that are paid in the same currencies. As such, the net amount of our exposure to foreign currency exchange rate changes is not material.

Recently Issued Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments Hedging Activities*. This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The new guidance amends SFAS No. 133 for decisions made: as part of the Derivatives Implementation Group process that effectively required amendments to SFAS No. 133; in connection with other FASB projects dealing with financial instruments; and regarding implementation issues raised in relation to the application of the definition of a derivative, particularly regarding the meaning of an "underlying" and the characteristics of a derivative that contains financing components.

SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS No. 133. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 amends certain other existing pronouncements.

These changes will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting.

The provisions of this standard are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The provisions of this statement that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist should be applied to existing contracts as well as new contracts entered into after June 30, 2003. We believe that the adoption of this standard will not have a material impact on our results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type, which includes put options and forward purchase contracts, involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments consist of obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

In addition to requirements for classification and measurement of financial instruments, SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, whose shares are mandatorily redeemable. Most of the guidance in Statement 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective from the start of the first interim period beginning after June 15, 2003. We believe that the adoption of this standard will not have a material impact on our results of operations or financial position.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

The Securities and Exchange Commission's rule related to market risk disclosure requires that we describe and quantify our potential losses from market risk sensitive instruments attributable to reasonably possible market changes. Market risk sensitive instruments include all financial or commodity instruments and other financial instruments (such as investments and debt) that are

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sensitive to future changes in interest rates, currency exchange rates, commodity prices or other market factors. We are not exposed to market risks from changes in commodity prices. We are exposed to changes in interest rates primarily from our investments in cash equivalents and marketable securities. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to interest rate changes. We do not consider our market risk exposure relating to foreign currency exchange to be material, as we generally have sufficient cash outflows based in these currencies to largely offset the cash inflows based in these currencies, thereby creating a natural hedge. In order to mitigate the risk associated with the small amounts of remaining net foreign exchange exposure, which we experience from time to time, we have, on occasion, entered into foreign exchange hedges. In addition to but separate from our primary business, we hold a small portion of our total asset portfolio in hedge funds for speculative and strategic purposes. As of April 30, 2003, our investments in such hedge funds was approximately \$23.9 million. Investments in hedge funds carry a significant degree of risk, which will depend to a great extent on correct assessments of the future course of price movements of securities and other instruments. There can be no assurance that hedge fund managers will be able to accurately predict these price movements. The securities markets have in recent years been characterized by great volatility and unpredictability. Accordingly, the value of our interests in these funds may go down as well as up and we may not receive, upon redemption, the amounts originally invested.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective at recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, the information it is required to disclose in its periodic reports filed or submitted under the Exchange Act.

Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in our internal controls or in other factors that could significantly affect such controls.

Table of Contents**PART II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

Certain legal proceedings in which we are involved are described in our Quarterly Report on Form 10-Q/A (Amendment No. 1) for the quarter ended January 31, 2003. The following discussion is limited to recent developments concerning our legal proceedings and should be read in conjunction with such earlier Quarterly Report. Unless otherwise indicated, all legal proceedings discussed in our earlier Quarterly Report remain outstanding.

With respect to our complaint against Telefonica S.A., Terra Networks, S.A., Terra Networks, U.S.A., Inc. and Lycos, Inc., we filed a motion on May 16, 2003 to compel the defendants to produce documents under the crime-fraud exception of the attorney-client and work product privilege. Oral argument on this motion is scheduled for August 7, 2003.

With respect to our statement of claim with the American Arbitration Association naming Telefonica Internacional, S.A. as the Respondent, the parties filed post-hearing briefs on April 4, 2003 and reply briefs were filed on May 8, 2003.

With respect to the summons and complaint filed on or about July 25, 2002 by PT-1 Communications against IDT, the parties held a status conference before the judge on April 3, 2003. IDT filed a motion for a stay to enjoin this proceeding based upon a filing by The Continuing Creditors' Committee of Star Telecommunications, Inc. of a near-identical adversary proceeding against us in the United States Bankruptcy Court for the District of Delaware. The motion was denied on May 15, 2003.

With respect to the complaint 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 IDT switched underlying carriers from Global Crossing Ltd. to AT&T, the Court denied the plaintiff's motion to remand the case to the State court and granted our motion to transfer the case to the Federal Communications Commission (the "FCC"). We filed a petition with the FCC on April 30, 2003.

With respect to the Morris Amsel and the Ana Cardoso and Maria Calado matters relating to IDT's calling cards, on May 19, 2003 we filed an application with the Multi-District Litigation Panel seeking to consolidate these matters.

With respect to the suit filed by Winstar against Superior Logistics Management Services, Inc. in the U.S. District Court for the Eastern District of Virginia, the parties entered into a settlement agreement that entitles Winstar to receive 10% of the sales price of any sales of certain equipment by Superior, and provides Winstar with purchase options at 6 and 9 months from May 7, 2003 for various equipment that was the subject of the suit and stored by Superior, at the price of \$0.035 per \$1.00 of the original cost to Superior or its entities that are now in Chapter 7 bankruptcy.

With respect to the Univance Telecommunications, Inc. and Univance Marketing Group, Inc. (collectively the "Univance Debtors") bankruptcy matter, the parties resolved this matter and the Univance Debtors and Winstar entered into an agreement dated March 19, 2003, pursuant to which the Univance Debtors will continue to provide services to Winstar. The parties will seek Bankruptcy Court approval of the agreement.

On or about February 5, 2002, a complaint was filed by Solomon Bitton against IDT in the Superior Court of the State of New Jersey, Bergen County, seeking certification of a class consisting of New Jersey residents who allegedly purchased IDT's pre-paid 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. We served answers to the complaint on April 3, 2003 and are in the process of providing initial discovery responses.

On or about March 12, 2003, a complaint was filed by the Continuing Creditors' Committee of Star Telecommunications, Inc. for itself and on behalf of the Star Creditors' Liquidating Trust ("Star") against IDT in the United States Bankruptcy Court for the District of Delaware. Star seeks (a) to void and recover damages for certain fraudulent transfers of property of Star's bankruptcy estate pursuant to the pre-petition sale of certain assets to IDT, and (b) to recover damages for unjust enrichment pursuant to said sale. We have not been served with the complaint and Star has not taken any action to prosecute the claims against us. We filed a motion for a stay or to enjoin this proceeding based upon the fact that this proceeding is nearly-identical to the adversary proceeding previously filed by PT-1 Communications against IDT in the United States Bankruptcy Court for the Eastern District of New York, which motion was denied.

On April 15, 2003, Network Communications of Indiana ("NCI") filed a four-count complaint in the Superior Court in Marion County, Indiana, against us, seeking \$8.7 million in damages. NCI signed a Non-Exclusive High Volume Independent Agent Marketing Agreement with Winstar Wireless, Inc., on February 1, 1999. On April 18, 2001, Winstar Wireless, Inc., and various other affiliates ("Debtors") filed for Chapter 11 bankruptcy in the United States Bankruptcy Court

for the District of Delaware. On December 19, 2001, an affiliate of ours purchased various assets of the Debtors. NCI alleges that IDT, as a result of allegedly acquiring certain assets of the Debtor including alleged network customer lists: (a) misappropriated NCI's customer

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lists, (b) unlawfully converted NCI's customer lists, (c) unfairly competed with NCI's business, and (d) tortiously interfered with contracts between NCI and NCI's customers. The case has been removed to the United States District Court for the Southern District of Indiana, Indianapolis Division, and we have an extension to answer or otherwise plead until June 23, 2003.

On or about April 26, 2003, we were served with a petition filed by Powell Palmares in the District Court of Nueces County, Texas, 105th Judicial District. We are not the only defendant in this action. In his petition, the plaintiff names numerous additional defendants, including Oblio Telecom, Northern California Telecommunications, Locus Telecommunications, Star Telecom Network, Astral Communications, Pacific Telecard, and Advanced Telecom Solutions. The plaintiff is seeking certification of a class consisting of all persons in Texas who allegedly purchased and used IDT's pre-paid calling cards and made calls to, or from, cellular telephone equipment. The damages sought have not yet been quantified. We filed our answer on June 2, 2003.

We are subject to other legal proceedings and claims, which arise in the ordinary course of our business and have not been finally adjudicated. Although there can be no assurances in this regard, in the opinion of our management, such proceedings, as well as the aforementioned actions, will not have a material adverse effect on our results of operations, cash flows or financial condition.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the third quarter of Fiscal 2003, Morris Lichtenstein, Executive Vice President of Business Development of IDT, Marc E. Knoller, Senior Vice President and a director of IDT, and Avi Stokar, Executive Vice President of MIS of our IDT Telecom subsidiary, exchanged 9,000, 25,000 and 11,500 shares of our common stock, respectively, for an equal number of shares of our Class B common stock. These exchanges were made under the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number	Description
10.64	1996 Stock Option and Incentive Plan, as amended and restated, of IDT Corporation (incorporated by reference to Form S-8 filed June 5, 2003 file no. 333-105865)
10.65(1)	Amendment to Stock Option Agreement under the Employee Stock Option Program between IDT Corporation and Joyce J. Mason
10.66(1)	Amendment to Stock Option Agreement under the Employee Stock Option Program between IDT Corporation and Marc E. Knoller
10.67(1)	Exchange Agreement, dated March 21, 2003, between IDT Corporation and Morris Lichtenstein
10.68(1)	Exchange Agreement, dated April 8, 2003, between IDT Corporation and Marc E. Knoller
10.69(2)	Settlement Agreement, dated October 10, 2000, between Tyco Group S.a.r.l., TyCom (US) Inc., Tyco International Ltd., Tyco International (US) Inc. and TyCom Ltd., on the one hand, and IDT Europe B.V.B.A. and IDT Corporation, on the other hand
31.1*	Certification of Chief Executive Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.

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<u>Exhibit Number</u>	<u>Description</u>
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.

-
- (1) Previously filed with the original Form 10-Q filed on June 16, 2003
(2) Previously filed with Amendment No. 1 to the Form 10-Q filed on June 17, 2003.
* Filed herewith.

(b) Reports on Form 8-K.

None.

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/s/ JAMES A. COURTER

James A. Courter
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Stephen R. Brown, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q/A (Amendment No. 3) of IDT Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 3, 2003

/s/ STEPHEN R. BROWN

Stephen R. Brown
Chief Financial Officer

EXHIBIT 32.1

**Certification Pursuant to
18 U.S.C. Section 1350
(as Adopted Pursuant to Section 906 of
the Sarbanes-Oxley Act Of 2002)**

In connection with the Quarterly Report of IDT Corporation (the "Company") on Form 10-Q/A (Amendment No. 3) for the quarter ended April 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, James A. Courter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 3, 2003

/s/ JAMES A. COURTER

James A. Courter
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to IDT Corporation and will be retained by IDT Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**Certification Pursuant to
18 U.S.C. Section 1350
(as Adopted Pursuant to Section 906 of
the Sarbanes-Oxley Act Of 2002)**

In connection with the Quarterly Report of IDT Corporation (the "Company") on Form 10-Q/A (Amendment No. 3) for the quarter ended April 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Stephen R. Brown, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 3, 2003

/s/ STEPHEN R. BROWN

Stephen R. Brown
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to IDT Corporation and will be retained by IDT Corporation and furnished to the Securities and Exchange Commission or its staff upon request.



INFORMAL HEARING AGENDA

August 28, 2003

PU-2880-03-340

GLOBCOM INCORPORATED
Local Exchange/Interexchange
Public Convenience and Necessity

PU-2887-03-359

IDT America, Corp.
Local Exchange
Public Convenience and Necessity

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PU-2880-03-340

Pages: 0

Informal Hearing held

by Public Service Commission

08/28/2003

CC: Comm Legal Ilona Jerry .

9

PU-2887-03-359

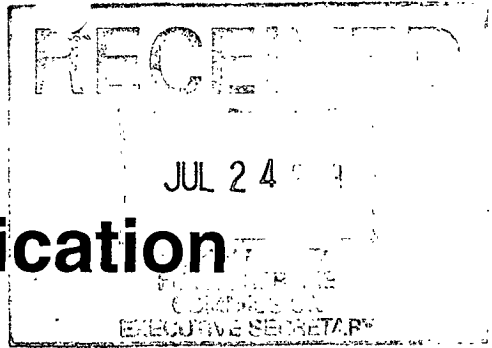
Pages: 0

Informal Hearing held

by Public Service Commission

08/28/2003

CC: Comm Legal Ilona Jerry .



Affidavit of Publication

Colleen Park, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.
2. The newspapers listed on the exhibits published the advertisement of:
PSC; Globcom Incorporated, 1 time(s)
as required by law or ordinance.
3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

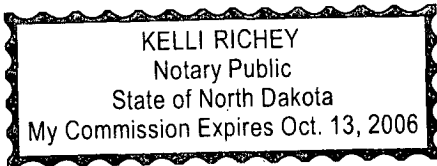
Signed: Colleen Park

State of ND

County of Burleigh

Subscribed and sworn to before me this 23rd day of July 20 03.

Kelli Richey



8	PU-2880-03-340	Pages: 1
	Affidavit of Publication	
	by North Dakota Advertising Service, Inc.	
	07/24/2003	CC: Comm Legal Ilona Jerry
✓ 8	PU-2887-03-359	Pages: 1
	Affidavit of Publication	
	by North Dakota Advertising Service, Inc.	
	07/24/2003	CC: Comm Legal Ilona Jerry



North Dakota Newspaper Association

1435 Interstate Loop
 Bismarck, ND 58503-0567
 Ph (701) 223-6397 • Fax (701) 223-8185

JUL 24

INVOICE

Order **17846-03073PP0**

Invoice # **21022**

July 23, 2003

Attn: **JONH. MIELKE**
PUBLIC SERVICE COMMISSION
600 E. BOULEVARD AVE.
STATE CAPITOL
BISMARCK, ND 58505
 Voice: 701-328-4076

Advertiser: **Public Service Commission**

P.O.#:

Amount Due **\$358.44**

Amount Paid

Please detach and return this portion with your payment

Public Service Commission Invoice # 17846-03073PP0-21022

Ad Size	Rate Type	Rate	Total	Discount (%)	Caption	Page	Run Date
Bismarck Tribune (Bismarck ND)							
56.00	SPR2	0.64	35.84	0.00	Globcom Incorp		07/18/03
Devils Lake Daily Journal (Devils Lake ND)							
58.00	SPR2	0.63	36.54	0.00	Globcom Incorp		07/18/03
Dickinson Press (Dickinson ND)							
62.00	SPR2	0.57	35.34	0.00	Globcom Incorp		07/18/03
Fargo, The Forum (Fargo ND)							
50.00	SPR2	0.71	35.50	0.00	Globcom Incorp		07/21/03
Grand Forks Herald (Grand Forks ND)							
52.00	SPR2	0.69	35.88	0.00	Globcom Incorp		07/17/03
Jamestown Sun (Jamestown ND)							
65.00	SPR2	0.54	35.10	0.00	Globcom Incorp		07/18/03
Minot Daily News (Minot ND)							
76.00	SPR2	0.54	41.04	0.00	Globcom Incorp		07/18/03
Valley City Times-Record (Valley City ND)							
58.00	SPR2	0.61	35.38	0.00	Globcom Incorp		07/18/03
Wahpeton Daily News (Wahpeton ND)							
66.00	SPR2	0.51	33.66	0.00	Globcom Incorp		07/18/03
Williston Herald (Williston ND)							
56.00	SPR2	0.61	34.16	0.00	Globcom Incorp		07/18/03

Gross Advertising	358.44	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
Other Discount	0.00	Total Billed	358.44	Payment Date	
Service Charge	0.00	Unbilled	0.00	Balance Due	358.44

8 PU-2880-03-340 Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

07/24/2003

CC: Comm Legal Ilona Jerry .

8 PU-2887-03-359 Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

07/24/2003

CC: Comm Legal Ilona Jerry .

State Of North Dakota
Public Service Commission
Case No 2887-03-359

Notice Of Opportunity For Hearing
July 2, 2003

Bismarck	7-18
Devils Lake	7-18
Dickinson	7-18
Fargo	7-21
Grand Forks	7-17
Jamestown	7-18
Minot	7-18
Valley City	7-18
Wahpeton	7-18
Williston	7-18

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

IDT America, Corp.
Local Exchange
Public Convenience and Necessity

Case No. PU-2887-03-359

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **21st day of July, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

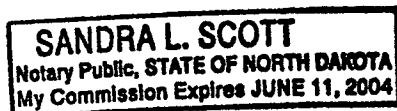
Staff Financial Memorandum

The envelope was addressed as follows:


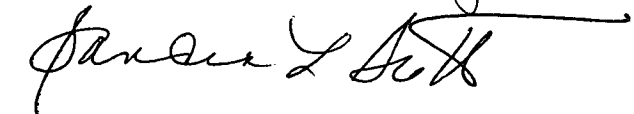
Carl Wolf Billek
IDT America Corp
520 Broad St
Newark NJ 07102

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **21st day of July, 2003**.



SEAL



Notary Public

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PU-2887-03-359

Pages: 1

Affidavit of Service

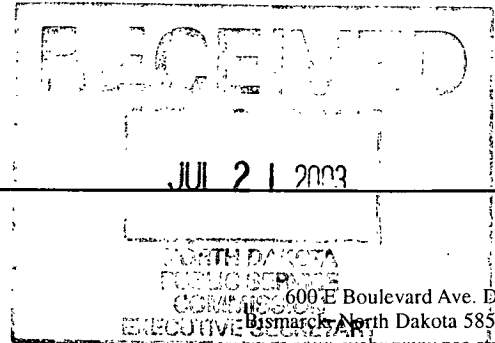
by Public Service Commission

07/21/2003

CC: Comm Legal Ilona Jerry



Public Service Commission
State of North Dakota



COMMISSIONERS

Tony Clark, President
Leo M. Reinbold
Susan E. Wefald

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: sab@psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Memorandum

To: Jon Mielke
From: Mike Diller *Mike Diller*
Date: July 21, 2003
Re: **IDT America, Corp.**
Local Exchange PC&N
Case No. PU-2887-03-359

The following is written to provide the commission with a very limited review of this case regarding the applicant's financial ability to provide service.

According to correspondence with Carl Billek, Associate General Counsel for IDT America Corp., the applicant is wholly owned subsidiary of IDT Domestic Telecom, Inc., which is a wholly owned subsidiary of IDT Telecom, Inc., which is a wholly owned subsidiary of IDT Corporation. IDT Corporation is a publicly owned company and traded on the New York Stock Exchange. According to its most recent 10-Q report to the SEC, IDT reported stockholder equity of \$894 million.

The commission has used stockholder equity as a litmus test for showing financial ability to provide service in North Dakota. Based on its review, staff concludes that IDT has access to sufficient equity through its parent companies to provide service in North Dakota.

Staff sees no reason to deny this application.

In accordance with the Commission's wishes, staff will serve this document on the applicant.

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

GLOBCOM INCORPORATED
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2880-03-340

IDT America, Corp.
Local Exchange
Public Convenience and Necessity

Case No. PU-2887-03-359

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **3rd day of July, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Notice of Opportunity for Hearing

The envelopes were addressed as follows:

Lance J M Steinhart P C
1720 Windward Concourse Ste 250
Alpharetta GA 30005

Cert. No. 7002 2410 0003 4912 3167

Carl Wolf Billek
IDT America Corp
520 Broad St
Newark NJ 07102

Cert. No. 7001 2410 0003 4912 3174

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **3rd day of July, 2003**.

SEAL



Sharon Helbling

Sandra L Scott

Notary Public

5 **PU-2887-03-359** Pages: 16

Affidavits of Service

by Public Service Commission

07/03/2003

CC: Comm Legal Ilona Jerry .

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

GLOBCOM INCORPORATED
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2880-03-340

IDT America, Corp.
Local Exchange
Public Convenience and Necessity

Case No. PU-2887-03-359

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **3rd day of July, 2003**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, and e-mailed, each containing a photocopy of:

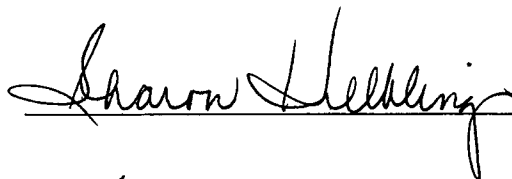
Notice of Opportunity for Hearing

The envelopes were addressed as follows:

See Attached List

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **3rd day of July, 2003**.





Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

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Mark Wilhelmi
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Tampa FL 33602-5925

Helbling, Sharon D.

From: Helbling, Sharon D.
Sent: Thursday, July 03, 2003 8:14 AM
To: ndna (E-mail)
Subject: Attached Notices

**Colleen Park
North Dakota Newspaper Association**

Colleen:

Please have the attached Notice of Opportunity to File Written Comments and the attached Notice of Opportunity for Hearing published as legal publications in the next issue of the ten North Dakota daily newspapers, and run them as "News Item Only" articles as well.

You can send the bill directly to the Public Service Commission, along with a tear sheet for billing purposes.

If you have any questions, please let me know.

Thank you and Happy July 4th.

Sharon

4 **PU-2887-03-359** Pages: 1

Notice e-mailed to NDNA requesting
publication
by Public Service Commission

07/03/2003

CC: Comm Legal Ilona Jerry .

7/3/2003

APPROVED

MOTION

DATE: 7-2-03
KME

July 2, 2003

GLOBCOM INCORPORATED
Local Exchange/Interexchange
Public Convenience and Necessity

Case No. PU-2880-03-340

IDT America, Corp.
Local Exchange
Public Convenience and Necessity

Case No. PU-2887-03-359

I move the Commission issue a Notice of Opportunity for Hearing in the captioned applications for certificates of public convenience and necessity to provide facilities based telecommunication services in North Dakota.

JRL/sdh

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**GLOBCOM INCORPORATED
Local Exchange/Interexchange
Public Convenience and Necessity**

Case No. PU-2880-03-340

**IDT America, Corp.
Local Exchange
Public Convenience and Necessity**

Case No. PU-2887-03-359

NOTICE OF OPPORTUNITY FOR HEARING

July 2, 2003

On June 13, 2003, GLOBCOM INCORPORATED of Northbrook, IL, filed an application for certificates of public convenience and necessity to provide facilities-based competitive local exchange telecommunications services in all North Dakota exchanges currently served by Qwest Corporation and interexchange services throughout North Dakota.

On June 18, 2003, IDT America, Corp. of Newark, NJ, filed an application for certificates of public convenience and necessity to provide facilities-based competitive local exchange telecommunications services in all North Dakota exchanges currently served by Qwest Corporation.

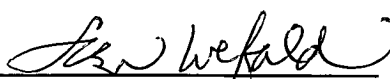
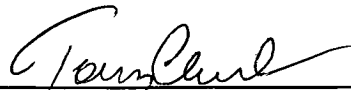

The issues to be considered in this matter are:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. Technical, financial and managerial ability of the applicant to provide service.

Those interested are invited to comment on the application in writing. Persons desiring a hearing must file a written request identifying their interest in the proceeding and the reasons for requesting a hearing. Comments and requests for hearings must be received by **August 5, 2003**. If deemed appropriate, the Commission can determine the matter without a hearing.

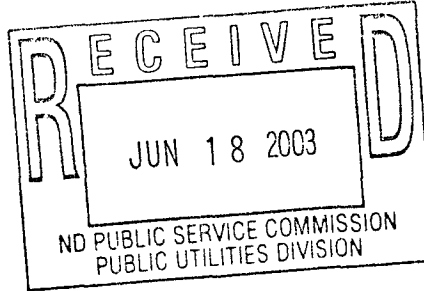
For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400; or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials please notify Jon Mielke, Executive Secretary.

PUBLIC SERVICE COMMISSION

 _____ Susan E. Wefald Commissioner	 _____ Tony Clark President	 _____ Leo M. Reinbold Commissioner
--	--	--



Legal Department



IDT Corporation
520 Broad Street
Newark, NJ 07102 USA
P 973-438/3342
F 973-438/1455
www.idt.net

June 16, 2003

Mr. John Mielke
Executive Secretary
North Dakota Public Service Commission
600 East Boulevard
Bismarck, North Dakota 58505

Re: Application of IDT America, Corp. for a Certificate of Public Convenience and Necessity to Provide Competitive Facilities-Based Local Exchange Telecommunications Services in the State of North Dakota
Docket No. _____

Dear Mr. Mielke.

Enclosed, on behalf of IDT America, Corp., please find an original and seven copies of the above-captioned filing. Please date-stamp the additional copy of this cover letter and return it to me in the enclosed self-addressed, stamped envelope.

If you have any questions please do not hesitate to contact me at (973) 438-4854 or Carl.Billek@corp.idt.net.

Respectfully submitted,

Carl Wolf Billek
IDT America, Corp.

Enclosures

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF
NORTH DAKOTA**

Application of)
)
IDT America, Corp.)
)
For a Certificate of Public Convenience and) **Docket No.** _____
Necessity to Provide Competitive)
Facilities-Based Local Exchange)
Telecommunications Services)
in the State of North Dakota)

APPLICATION

IDT America, Corp. (“IDT,” “Applicant” or “Company”), by its representatives and pursuant to ND CENT. CODE 49-03.1-03-49-03.1-04 respectfully requests that the Commission grant it a Certificate of Public Convenience and Necessity to provide facilities-based local exchange services in the State of North Dakota. In addition, the Company respectfully requests, pursuant to ND CENT. CODE §49-03.1-05, that if no request for hearing on this application is received within the specified time, the Commission exercise its discretionary authority to grant the requested Certificate without such a hearing. IDT proposes to offer facilities-based local exchange services to consumers in the State of North Dakota utilizing combinations of unbundled network elements (“UNEs”), specifically the unbundled network elements platform (“UNE-P”) and resale products purchased from the incumbent local exchange provider. At some future date, the Company may provide its facilities-based services via its own equipment; however, at present, IDT intends to concentrate upon the provision of service via resale and UNE combinations. IDT will focus on providing local exchange service to residential and small business customers.

In support of its Application, IDT provides the following information:

I. THE APPLICANT

A. Corporate Information

1. IDT America, Corp. is a New Jersey corporation formed on June 24, 1994. IDT's principal address is:

IDT America, Corp.
520 Broad Street
Newark, New Jersey 07102-3111
Telephone: (973) 438-1000

A copy of IDT's Articles of Incorporation and its Certificate to do Business in North Dakota are provided at **Exhibit A and B**, respectively.

2. The name and contact information for IDT's North Dakota registered agent is:

CT Corporation System
314 East Thayer Avenue
Bismarck, North Dakota 58501-4018
Telephone: (800) 624-0909

3. The persons in charge of management and operations of IDT are listed at **Exhibit C**.

4. The Officers and Directors of IDT are as follows:

Officers

Howard S. Jonas, Chief Executive Officer & Treasurer
James A. Courter, President
Joyce J. Mason, Secretary
Stephen R. Brown, Chief Financial Officer
Doug Mauro, Sr. Vice President
Marc E. Knoller, Vice President

Directors

Howard S. Jonas, Chairman
James A. Courter, Director
Marc E. Knoller, Director

All of the above are located at 520 Broad Street, Newark, New Jersey 07102-3111 (973) 438-1000 (Phone), (973) 438-1455 (Fax), Carl.Billek@corp.idt.net (Email), and www.idt.net (Internet).

II. DESIGNATED CONTACTS

The designated contact for this Application and all future regulatory matters is:

Carl Wolf Billek, Associate General Counsel
IDT America, Corp.
520 Broad Street
Newark, New Jersey 07102-3111
Telephone: (973) 438-4854
Facsimile: (973) 438-1455
Email: Carl.Billek@corp.idt.net

The designated contact for all future consumer inquiries is:

Anthony Acevedo, Customer Liaison
IDT America, Corp.
520 Broad Street
Newark, New Jersey 07102-3111
Telephone: (973) 438-4827
Facsimile: (973) 438-1455
Email: Anthony.Acevedo@corp.idt.net

III. DESCRIPTION OF BUSINESS AND AUTHORITY REQUESTED

1. IDT intends to operate as a provider of local exchange telecommunications services in the State of North Dakota. The Company is committed to provision a full range of competitive telecom services to both business and residential consumers.
2. IDT is certified and/or registered to provide resold interexchange service in all fifty (50) states and presently provides such service. IDT is also certified to provide competitive facilities-based and resold local exchange service in the following states: Alabama, California, Colorado, Delaware, Florida, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Nevada, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, West Virginia and Wisconsin. IDT has applications to provide such service pending in the following states: Arkansas, Georgia, Kentucky, Ohio, Oklahoma and Washington IDT

has never had a petition to provide service denied.

3. By this Application, IDT seeks authority from the Commission to provide a full range of facilities-based local exchange telecommunications services. The Company intends to market all forms of switched and dedicated telecommunications services, including data and Internet services. The Company does not plan to provide operator services or telemarket.
4. With respect to the scope of its initial operations, IDT proposes to operate in those areas of North Dakota approved by the Commission for provision of competitive local exchange services. The Company respectfully requests permission to concur in the service area maps of Qwest, already on file with the Commission. In the near future, IDT intends to negotiate an interconnection agreement with Qwest. The Company will submit its agreements and Company tariffs, pursuant to the Commission's procedures once they become available.

IV. DESCRIPTION AND FITNESS OF THE COMPANY

1. The Company will herein demonstrate to the Commission that it is well qualified managerially, technically and financially to provide competitive telecommunication services for which authority is requested in the Application.
2. IDT's management team includes individuals with substantial experience in the successful development and operations of a telecommunication business. The Company is managed by persons with technical expertise in interexchange and CLEC networks. Further details regarding the business and operational experience of IDT's Officers and Management are provided in **Exhibit C**.
3. As provided as **Exhibit D**, please find an Affidavit from IDT stating that the Officers and

Management has access to sufficient capital to fund the development and maintenance of its telecommunications operations in North Dakota.

V. PROPOSED TARIFF

1. All of the proposed local exchange services offered by IDT will be provided pursuant to the terms and conditions of the Company's Local Exchange Service Tariff. This Tariff will be provided after successfully negotiating an interconnection agreement with Qwest.

VI. BILLING INFORMATION

1. The Company will bill all its customers directly. All invoices sent to customers will bear the company's name and provide a toll-free number for customer inquiries and complaints.

VII. CUSTOMER SERVICE

1. IDT will provide Customer Service via a toll free number twenty-four (24) hours a day, seven (7) days a week. Customers may also contact the Company via mail, email and the Internet.

VIII. STATEMENT OF COMPLIANCE

1. The Applicant agrees to abide by all applicable statutes, orders, rules and regulations entered and adopted by the Commission for competitive local carriers in North Dakota. The Company will allow its local exchange customers to obtain inter- and intraLATA long distance service from other toll carriers as well as local operator services and directory assistance services from other providers on a non-discriminatory basis. Where the Company offers a service in a particular exchange, the Company will offer that service on a non-discriminatory basis to all customers in that exchange. The Company will provide its local exchange customers with a local calling area that is at least as large

in scope as the calling are of the incumbent local exchange carrier in the area.

IX. PUBLIC INTEREST CONSIDERATIONS

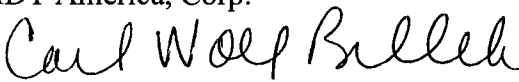
1. Approval of this Application will serve the public interest and result in direct benefits to local exchange customers in North Dakota. The Company will excel in outstanding customer service and provide packaged services that are affordable and unique to the telecommunications industry.

WHEREFORE, IDT America, Corp. respectfully petitions the Commission for a Certificate of Public Convenience and Necessity to provide competitive facilities-based local exchange telecommunications services in the State of North Dakota.

Respectfully submitted,

IDT America, Corp.

By:



Carl Wolf Billek, Associate General Counsel
IDT America, Corp.
520 Broad Street
Newark, New Jersey 07102-3111
Telephone: (973) 438-4854
Facsimile: (973) 438-1455
Email: Carl.Billek@corp.idt.net

LIST OF EXHIBITS

EXHIBIT A – Articles of Incorporation

EXHIBIT B – Certificate to do Business in North Dakota

EXHIBIT C – Managerial and Technical Qualifications

EXHIBIT D – Affidavit

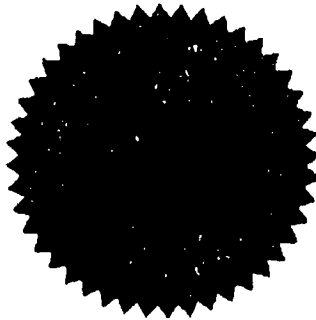
EXHIBIT A – Articles of Incorporation

**STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
FILING CERTIFICATION (CERTIFIED COPY)**

IDT AMERICA, CORP.

*I, the Treasurer of the State of New Jersey,
do hereby certify, that the above named business
did file and record in this department the below
listed document(s) and that the foregoing is a
true copy of the
certificate of incorporation
as the same is taken from and compared with the
original(s) filed in this office on the date set
forth on each instrument and now remaining on file
and of record in my office.*

*IN TESTIMONY WHEREOF, I have
hereunto set my hand and
affixed my Official Seal
at Trenton, this
13th day of October, 2000*



Roland M Machold

*Roland M Machold
Treasurer*

1 NB
FILED

CERTIFICATE OF INCORPORATION

JUN 24 1994

OF

IDT AMERICA, CORP.

LONNA B. HOOKS
Secretary of State

The undersigned, of the age of eighteen (18) years or *0933357*
over, for the purpose of forming a corporation pursuant to
the provisions of Title 14A, corporations, General, of the
statutes of the State of New Jersey, does hereby execute the
following Certificate of Incorporation:

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

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

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

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

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

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

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

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

Howard Jonas, 3220 Arlington Avenue, Riverdale, NY 10463

0100592481

Deborah Jonas, 3220 Arlington Avenue, Riverdale, NY 10463 -

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

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

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

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

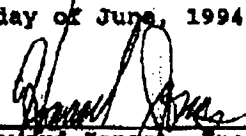

Howard Jones - Incorporator
3220 Arlington Avenue
Riverdale, NY 10463

EXHIBIT B – Certificate to do Business in North Dakota



**North Dakota Secretary of State
Corporate Details**

Company

IDT AMERICA, CORP.

System ID: 13810600

Phone: (201) 928-1000

Type: FOREIGN BUSINESS CORPORATION

Status: Active & Good Standing

Original File Date: 10/29/1998

Effective Date: 10/29/1998

State of Origin: New Jersey

Principal Office

520 BROAD ST
NEWARK, NJ 07102-3111

Registered Agent

C T CORPORATION SYSTEM
314 E THAYER AVE
PO BOX 400
BISMARCK,ND 58502
Established Date: Nov 21, 2000

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EXHIBIT C – Managerial and Technical Qualifications

Managerial and Technical Qualifications

Key Personnel for Applicant

Howard S. Jonas founded IDT Corporation in August 1990 and has served as Chairman of the Board and Treasurer since its inception and as Chief Executive Officer Since December 1991. He served as President of IDT Corporation from December 1991 through September 1996. Mr. Jonas has served as Chief Executive Officer and Treasurer of IDT America, Corp. since 1994. Mr. Jonas is also the founder of the Jonas Publishing Corp., a publisher of trade directories, of which Mr. Jonas has been President since 1979. Mr. Jonas received a B.A. in economics from Harvard University.

James Courter joined IDT Corporation as President in October 1996 and was named Vice Chairman and CEO of IDT Corporation in 2001. He has been the President of IDT America, Corp. since joining the Company. Mr. Courter has been a senior partner in the New Jersey law firm of Courter, Kobert, Laufer & Cohen since 1972. He was also a partner in the Washington, D.C. law firm of Verner, Lipfert, Bernhard, McPerson & Hand from January 1994 to September 1996. Mr. Courter was a member of the U.S. House of Representatives for 12 years, retiring in January 1991. From 1991 to 1994, Mr. Courter was Chairman of the President's Defense Base Closure and Realignment Commission. Mr. Courter also serves on the Board of Directors of Envirogen, Inc. He received a B.A. from Colgate University and a J.D. from Duke University Law School.

Stephen Brown joined IDT Corporation as its Chief Financial Officer in May 1995 and he has served as the Chief Financial Officer of IDT America, Corp. since its inception. From 1985 to May 1995, Mr. Brown operated his own public accounting practice servicing medium-sized corporations as well as high net worth individuals. Mr. Brown received a B.A. in Economics from Yeshiva University and a B.B.A. in Business and Accounting from Baruch College.

Joyce Mason has been the Secretary of IDT Corporation since its inception and has served as the Secretary of IDT America, Corp. since its inception. Previously, Ms. Mason was in private legal practice since August 1990. Ms. Mason received a B.A. from the City University of New York and a J.D. from New York Law School.

Marc E. Knoller joined IDT Corporation in March 1991 and has been the Vice President of IDT America, Corp. since its inception. From 1998 until March 1991, Mr. Knoller was director of national sales for Jonas Publishing. Mr. Knoller received a B.B.A. from Baruch College.

Douglas Mauro is the Senior Vice President for IDT Corporation and IDT America, Corp. He is responsible for all tax matters at IDT America, Corp. and IDT Corporation. Prior to joining IDT Mr. Mauro was Vice President, Tax for Inc Pharmaceuticals in Costa Mesa, California. Mr. Mauro has extensive experience in International taxes at various Pharmaceutical Companies where he served as the top tax officer.

Keith Mendelson has held several positions since joining IDT Corporation in 1995. Mr. Mendelson is presently the Executive Vice President of Retail Operations of IDT Telecom, Inc.,

a subsidiary of IDT Corporation. Mr. Mendelson received a B.A. from Yeshiva University.

Kathy Timko is the Executive Vice President of Engineering and Operations of IDT Telecom, Inc. Ms. Timko has served as Chief Operating Officer of InterExchange, IDT Corporation's Engineering and Operations Division, since 1998. From 1995 to 1998, Ms.

Timko served as the Executive Vice President of Product Development and Operations at Call Sciences, a provider of enhanced telecommunications services. Prior to 1995, Ms. Timko worked at Bellcore (now Telcordia) and BBN Technologies. Ms. Timko holds a B.S. degree from Virginia Tech and a M.S. degree from Boston University.

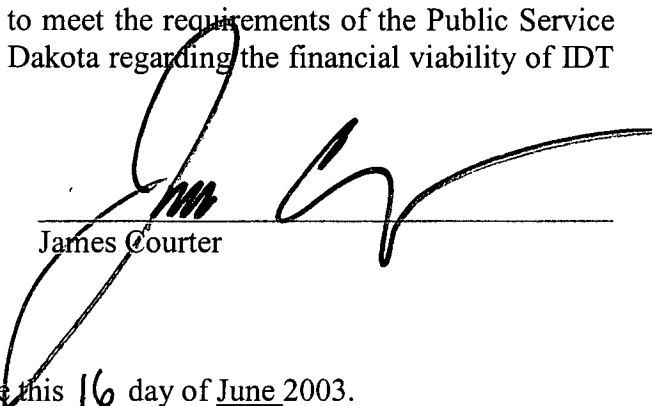
EXHIBIT D – Affidavit

AFFIDAVIT

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

JAMES COURTER, being first duly sworn upon oath, deposes and says as follows:

1. That he is the President of IDT America, Corp., a New Jersey Corporation, and is familiar with the Corporation's stockholder equity;
2. That IDT America, Corp. has a positive stockholder equity; and
3. That Affiant makes this Affidavit to meet the requirements of the Public Service Commission of the State of North Dakota regarding the financial viability of IDT America, Corp.



James Courter

Subscribed and sworn to before me this 16 day of June 2003.



Solvin McLaughlin
Notary Public – State of New Jersey

SOLVIN McLAUGHLIN
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 8/29/2005

My Commission Expires: _____