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January 16, 2002

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VIA OVERNIGHT DELIVERY

020054-TP

Blanca S. Bayó
Director, Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Emergency Joint Application for Approval of the Assignment of Assets and AAV/ALEC Certificate No. 4025 and IXC Certificate No. 2699 from Winstar Wireless, Inc. to Winstar Communications, LLC

Dear Ms. Bayo:

Winstar Wireless, Inc. ("Old Winstar" or "Assignor") and Winstar Communications, LLC ("New Winstar" or "Assignee") (collectively "Applicants"), through their undersigned counsel and pursuant to Section 364.33 of the Florida Statutes, FLA. STAT. ANN. § 364.33 (West 1999), hereby request Commission approval or such authority as may be necessary or required to enable the parties to consummate a transaction arising out of Old Winstar's bankrupt status and approved by the United States District Court for the District of Delaware.[1] New Winstar was recently formed by IDT Corporation ("IDT Corporation" or "Assignee Parent Co.") as part of a transaction in which IDT Corporation's indirect subsidiary, Winstar Holdings, LLC, is acquiring the core domestic telecommunications assets of Winstar Communications, Inc. ("WCI"), the ultimate parent company of Old Winstar and its various subsidiaries, including the Certificates and related operations of Old Winstar in Florida (the "Transaction"). Among other things, the Transaction contemplates the assignment to New Winstar the alternative access vendor/alternative local exchange carrier and interexchange certificates (the "Certificates") and the transfer to New Winstar of customers in Florida to whom Old Winstar currently provides facilities-based and/or resold local and long distance telephone services pursuant to those Certificates.[2] Therefore, Applicants seek the authority

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[1] Old Winstar and certain of its affiliates filed for bankruptcy on April 18, 2001 and currently operate under the protection of the U.S. Bankruptcy Code before the U.S. District Court for the District of Delaware (the "Bankruptcy Court"). *See* Chapter 11 Case No. 01-01430 (JJF) (D. Del.).

[2] Following consummation of the Transaction, Assignee will evaluate the Old Winstar business and will advise the Commission and seek any necessary approvals should it determine that changes to the business would impact the regulated assets and/or customers that it is acquiring are appropriate.

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FPSC-BUREAU OF RECORDS

necessary to transfer, assign or otherwise enable Old Winstar to convey its Florida authorizations identified herein, along with its Florida operations and customers to New Winstar.

In light of the financial position of Old Winstar, and in order to complete an orderly transition and the continued provision of high quality competitive telecommunications services in Florida, Applicants respectfully request that the Commission act expeditiously to grant the authority requested herein prior to, but no later than, April 17, 2002, in accordance with the Sale Order issued by the Bankruptcy Court.[3] As explained below, failure to obtain the requisite approval by this date will jeopardize the continued provision of service to Winstar customers as well as the transition process established by the Bankruptcy Court to assure the orderly transfer of the assets and to avoid disruption of service that would otherwise occur.

An original and twelve (12) copies of this letter are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided.

In support of their Joint Application, the Applicants provide the following information:

I. DESCRIPTION OF THE APPLICANTS

A. Winstar Communications, LLC ("New Winstar")

Winstar Communications, LLC is a recently formed Delaware limited liability company with its principal business office located at 520 Broad Street, Newark, New Jersey 07102-3111. Assignee's Certificate of Formation and Application for Authority to Transact Business in Florida are provided in Exhibits 2 and 3, respectively. New Winstar is a direct subsidiary of Winstar Holdings, LLC. Winstar Holdings, LLC is 95 percent owned by IDT Advanced Communication Services, LLC, a wholly owned subsidiary of IDT Corporation. The other 5 percent of Winstar Holdings, LLC is owned by the Old Winstar bankruptcy estate.[4] IDT Advanced Communication Services, LLC, Winstar Holdings, LLC, and Assignee were formed specifically in conjunction with the proposed acquisition of the core domestic telecommunications assets of WCI and certain of its operating subsidiaries, including Old Winstar. For the Commission's reference, an organizational diagram of Assignee's corporate structure is attached hereto as Exhibit 4.

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3 *In re: Winstar Communications, Inc. et al., Order Authorizing (i) Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims Encumbrances, and Interests, (ii) Approving Cure Amounts with Respect to Certain Executory Contracts and Unexpired Leases, (iii) Authorizing the Debtors to Enter into and Approving Management Agreement, (iv) Approving Regulatory Transition Process and (v) Granting Related Relief*, Case No.: 01-1430 (JJF), at para. 23 (Dec. 19, 2001) (hereinafter, "Sale Order"). The Sale Order is attached hereto as Exhibit 1.

4 It is also contemplated that Winstar Holdings, LLC (or one of its affiliates) may grant non-controlling equity interests as incentive compensation to certain employees, officers, directors, and consultants of Winstar Holdings, LLC and its affiliates.

IDT Corporation, the ultimate parent company of Assignee, is organized under the laws of the State of Delaware with its principal business office located at 520 Broad Street, Newark, New Jersey 07102-3111. IDT Corporation provides facilities-based and resold telecommunications in the United States and abroad. Additionally, through its indirect subsidiary IDT America, Corp. ("IDT America"), IDT Corporation is authorized to provide resold interexchange telecommunications services throughout the country, including Florida, pursuant to Interexchange Telecommunications Certificate No. 3581.[5]

B. Winstar Wireless, Inc. ("Old Winstar")

Old Winstar is a corporation organized under the laws of the State of Delaware with its principal business office located at 2350 Corporate Park Drive, Herndon, Virginia 20171. Old Winstar is a wholly owned operating subsidiary of WCI Capital Corp., which is a direct, wholly owned subsidiary of WCI. WCI is a publicly held corporation organized under the laws of the State of Delaware with its principal business office located at The Winstar Building, 685 Third Avenue, New York, New York 10017. WCI's subsidiaries provide, among other things, facilities-based and resale telecommunications services, as well as, private line and switched local and interexchange services throughout the United States utilizing a network of wireless and wireline facilities. Old Winstar, more particularly, is authorized to provide alternative access vendor/alternative local exchange and interexchange telecommunications services in Florida, pursuant to Certificates issued by the Commission.[6] An organizational diagram of Assignor's corporate structure is included as part of Exhibit 5.

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5 *Request for approval of intracorporate transfer of control of IDT America Corp. (holder of IXC Certificate No. 3581) from IDT Corporation to IDT Domestic Telecom, Inc.*, Docket No. 010519-TI, Order No. PSC-01-1435-PAA-TI (July 3, 2001) (Consummating Order, Order No. PSC-01-1573-CO-TI (July 30, 2001)); *Request by IDT Corporation for approval of* pro forma *corporate reorganization and assignment of Interexchange Telecommunications Certificate No. 3581 to its wholly-owned subsidiary, IDT America, Corp.*, Docket No. 980375-TI, Order No. PSC-98-0637-FOF-TI (May 7, 1998); *Application for certificate to provide interexchange telecommunications service by International Discount Telecommunications, Corp.*, Docket No. 940576-TI, Order No. PSC-94-1021-FOF-TI (Aug. 23, 1994).

6 *Request for approval of pro forma reorganization of WinStar Wireless of Florida, Inc. (holder of IXC Certificate No. 4025 and AAV Certificate No. 2699), whereby WinStar Wireless of Florida, Inc. will be merged with and into WinStar Wireless, Inc.; and request for name change on IXC Certificate No. 4025 and AAV Certificate No. 2699 to WinStar Wireless, Inc.*, Docket No. 981023-TP, Order No. PSC-98-1425-FOF-TP (Oct. 22, 1998); *Request for approval of transfer of assets and Interexchange Telecommunications Certificate No. 2699 and change in name from MIDCOM Communications, Inc. to WinStar Wireless of Florida, Inc.*, Docket No. 980327-TP, Order No. PSC-98-0601-FOF-TP (Apr. 28, 1998); *Application for Certificate to Provide Alternative Local Exchange Telecommunications Service by Winstar Wireless of Florida, Inc. (f/k/a Avant-Garde Telecommunications of Florida, Inc.)*, Docket No. 950998-TX, Order No. PSC-95-1256-FOF-TX (Oct. 11, 1995); *Application for certificate to provide alternative access vendor service by Avant-Garde Telecommunications of Florida, Inc.*, Docket No. 950241-TA, Order No. PSC-95-0586-FOF-TA (May 11, 1995).

II. CONTACT INFORMATION

For the purposes of this Application, contacts for the Applicants are as follows:

For Assignor:

Kimberley A. Bradley
Senior Director of Regulatory Affairs
Winstar Wireless, Inc.
1850 M Street, N.W., Ste. 300
Washington, D.C. 20036
(202) 367-7654 (Tel)
(202) 659-1931 (Fax)

and

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For Assignee:

Diane Clark, Esq.
Carl Billek, Esq.
IDT Corporation
520 Broad Street
Newark, NJ 07102
(973) 438-4524 (Tel)
(973) 438-1503 (Fax)

and

Shirley Fujimoto, Esq.
McDermott, Will & Emery
600 13th Street, NW
Washington, DC 20005-3096
(202) 756-8282 (Tel)
(202) 756-8087 (Fax)

For purposes of other Commission inquiries, complaints, and correspondence, the contact for the Commission will remain as follows after the transfer:

Kimberley A. Bradley
Senior Director of Regulatory Affairs
Winstar Communications, LLC
1850 M Street, NW, Suite 300
Washington, DC 20036
(202) 367-7654 (Tel)
(202) 659-1931 (Fax)
KBradley@winstar.com (E-Mail)

For purposes of referring consumer inquiries, the contact information will remain as follows after the transfer:

Winstar National Customer Satisfaction Center
5151 Blazer Parkway, Suite A
Dublin, OH 43017
(888) 961-8800 (Tel)
info@winstar.com (E-Mail)

III. DESCRIPTION OF THE TRANSACTION

Pursuant to this Transaction, Winstar Holdings, LLC (formerly known as IDT Winstar Acquisition, LLC) is acquiring the core domestic telecommunications assets of WCI and certain of WCI's operating subsidiaries, including those of Old Winstar pursuant to section 363 of the Bankruptcy Code[7] and will operate those assets through certain newly formed subsidiaries, including New Winstar, which will operate the assets in Florida.[8] In order to complete the Transaction, Winstar Holdings, LLC entered into an Asset Purchase Agreement with WCI and certain of its core business subsidiaries, including Old Winstar, for the sale of substantially all of the assets utilized by WCI's operating subsidiaries to operate its domestic telecommunications business. In consideration for these assets, Winstar Holdings, LLC provided the Old Winstar bankruptcy estate: (1) $30 million in immediately available funds; (2) IDT Corporation Class B common stock valued at $12.5 million; and (3) a 5 percent interest in Winstar Holdings, LLC. The Asset Purchase Agreement, and the sale of assets to Assignee, was approved by the Bankruptcy Court on December

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7 The Sale Order envisions that this transaction will proceed regardless of whether Old Winstar remains in Chapter 11 or if the case converts to a Chapter 7 proceeding subsequent to the issuance of the Sale Order. Such a conversion, if it occurs, would therefore not affect the asset sale to New Winstar as approved in the Sale Order or the orderly transition procedures set forth therein. *See* Sale Order at para. 9.

8 An organizational chart showing the corporate relationship of New Winstar and IDT America, IDT Corporation's other regulated telecommunications subsidiary operating in Florida is included as Exhibit 6.

19, 2001. The Court found that the approval of the sale to Winstar Holdings, LLC was in the best interest of the WCI companies, its creditors, its estate, and other parties in interest.[9]

In approving the Transaction, the Bankruptcy Court was cognizant of the need for certain regulatory approvals and, because of its concern that service to customers be continued uninterrupted pending receipt of the necessary approvals, it created a 120-day 'Regulatory Compliance Period,' expiring April 17, 2002, during which (1) the Parties would seek and obtain the necessary federal and state regulatory approvals to operate the business and (2) the underlying vendors would continue to provide service to Old Winstar, thereby ensuring continued and uninterrupted service to Old Winstar customers, while the requisite regulatory and other contractual arrangements were being obtained by New Winstar. The Bankruptcy Court also approved a Management Agreement whereby Winstar Holdings, LLC will be responsible for payment of operating expenses during the 120-day Regulatory Compliance Period to ensure the smooth operation and provision of service. The Management Agreement further provides that Old Winstar's existing customers will continue to receive service during this period consistent with Old Winstar's existing tariffs and certificates. In addition, because Old Winstar was no longer able to assure payment of its operating expenses during the transition period, and had been threatened with immediate discontinuance of essential underlying telecommunications and other services, Winstar Holdings, LLC deposited $60 million into an account to be used to pay the costs of underlying carriers and other operating expenses incurred after the Bankruptcy Court Sale Order was entered. The Sale Order required that all providers of underlying services to Old Winstar, including the common carrier service providers, continue to provide such services during the transition, and required that underlying carriers provide service to Winstar Holdings, LLC and its subsidiaries on a non-discriminatory basis in accordance with applicable law, and the Applicants are in the process of identifying and taking steps to secure appropriate interconnection and other agreements and service arrangements that need to be established in order for New Winstar to operate. The Bankruptcy Court put into place the mechanisms described herein to ensure the operation and provision of uninterrupted service to Old Winstar customers during this period; however, the process envisioned a Regulatory Compliance Period of only 120 days. Therefore, it is essential that the necessary approvals and service arrangements be obtained within that 120-day Regulatory Compliance Period.

New Winstar is extremely well qualified to acquire and operate the Old Winstar business. New Winstar's ultimate parent company, IDT Corporation, was founded in 1990 and since that time it, together with its subsidiaries, has firmly established itself as a leading multinational carrier, routing billions of minutes of traffic per year. The Company uses its national telecommunications backbone and fiber optic network infrastructure to provide customers with an array of communications services. IDT Corporation delivers its telecommunications services over a high-

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[9] *See* Sale Order at para. 23. Due to the financial situation of Old Winstar and its affiliates, and the disruption of service to their customers that would have occurred absent the Transaction, the Bankruptcy Court authorized the immediate sale of certain assets to Assignee, defined in the Sale Order as "Purchased Assets." The Bankruptcy Court further authorized a Regulatory Compliance Period during which Applicants must obtain requisite approval from the Commission for the transfer of the Regulatory Assets.

quality network comprised of more than 150 switches in the U.S. and Europe, and owned and leased capacity on 14 undersea fiber optic cables.

IDT Corporation's success in developing innovative products and services and in expanding its geographic reach has translated into impressive growth in recent years, and has created a company that is extremely well-qualified financially to operate and expand the Old Winstar business. IDT Corporation currently holds over $1 billion in cash and cash equivalents. Financial information demonstrating IDT Corporation's financial qualifications is provided in its most recent Form 10-K; a copy of the financial statements from the Form 10-K are attached hereto as Exhibit 7.[10] As shown in the attached information, Assignee is financially qualified to operate within the State. Moreover, through the Commission's authorization of IDT Corporation's subsidiary, IDT America, the Commission has already found IDT Corporation financially qualified to provide telecommunications service in Florida.

Assignee also has the managerial and technical resources necessary to operate the Winstar business in Florida. Members of IDT Corporation's senior management team will be actively involved in operating New Winstar to assure the continued and uninterrupted provision of service pending regulatory approvals and in assessing and, as necessary, in reformulating the Winstar business so that it may offer innovative and competitive local and long distance telecommunications services on a more financially secure basis. Biographies of such senior management are provided in Exhibit 8. IDT Corporation's management also expects to rely upon many of Winstar's existing operations and management personnel who are familiar with the nature of the existing operations. As a result, Assignee will be led by a well-qualified management team and will have the managerial and technical expertise and resources necessary to acquire and operate Old Winstar's assets in Florida.

In sum, Winstar Holdings, LLC and New Winstar have the financing necessary to complete the Transaction. As noted above, $60 million has been deposited in an account to be used solely for the purposes of operating the system and assuring that vendors are paid in full during the transition period. In addition, as shown above, Assignee and its parent company are extremely well qualified financially and managerially, and have the resources necessary to operate the Winstar business. *See* Exhibits 7 and 8 and associated discussion above.

IV. PUBLIC INTEREST STATEMENT

Applicants respectfully submit that the Transaction serves the public interest. In particular, Applicants submit that (1) the Transaction will prevent a precipitous discontinuance of service to Old Winstar customers and will be conducted in a manner that will be virtually transparent to these customers; and (2) the revitalization of "Winstar" as a strong competitor in the telecommunications market will assure that the benefits of competition generated by Old Winstar's presence will not be lost to consumers.

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[10] A copy of the entire Form 10-K of IDT Corporation may be obtained under "SEC Filings" found at http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=idt&script=2100.

As discussed above, the orderly transition approved by the Bankruptcy Court will assure that the customers of Old Winstar will not suffer a precipitous disruption of service as a result of Old Winstar's financial situation. Moreover, in order to assure that the transaction will be virtually transparent to Old Winstar's existing customers, New Winstar will operate under the "Winstar" name and will adopt the existing Winstar tariffs so that customers can continue to receive the same rates and services during the transition to New Winstar. Following consummation of the Transaction, New Winstar will advise the Commission and seek any necessary approvals should it determine that changes to the business that would impact the regulated assets and/or customers that it is acquiring are appropriate.

Applicants also intend to keep customers informed of any significant changes to their services. All customers were notified by letter dated December 21, 2001 of the Transaction and given assurances regarding the continued provision of Winstar services. A copy of that customer letter is attached hereto as Exhibit 9. Moreover, consistent with regulatory carrier change requirements, Winstar customers will also be notified of the transfer of their service to New Winstar and given the opportunity to switch to another service provider without penalty. A copy of the notice will be provided to the Commission as soon as possible.

Failure to approve the Transaction will harm the public interest. Not only would failure to approve the Transaction result in the inability of customers to continue to receive their "Winstar" services, it would also result in the diminution of competition in Florida, since Old Winstar's current financial position has impeded its ability to compete aggressively in the telecommunications market. Specifically, Old Winstar's bankruptcy status has limited its ability to obtain and maintain the services and facilities it needs to compete for new customers and to continue providing certain services to existing customers. Indeed, absent the immediate commitment of Winstar Holdings, LLC to assume responsibility for payment of operating expenses and to provide management support to Old Winstar, it would have been forced to convert to a Chapter 7 liquidation proceeding and to take immediate steps to cease operating and to discontinue all services to customers. Although it would have done everything in its power to provide adequate notice to customers, Old Winstar could not have guaranteed that such notice would have been possible, since it was threatened with immediate discontinuance of service by many of its underlying carriers.

Given that, absent this Transaction, Old Winstar would not be able to continue to provide service as a result of its financial situation, Applicants hope to receive regulatory approval within the 120-day Regulatory Compliance Period. Without approval within the Bankruptcy Court mandated 120-day time frame, Applicants cannot guarantee that there will be no interruptions in the provision of service to Old Winstar customers as a result of underlying carrier actions.

V. CONCLUSION

For the reasons stated above, Applicants respectfully submit that the public interest, convenience, and necessity would be furthered by a grant of this Application for the assignment of Old Winstar's operations and certificates to New Winstar. In light of the exigent circumstances and, in particular the need to ensure continuity of service to existing customers, Applicants respectfully request expedited treatment to permit Applicants to complete the Transaction no later than April 17, 2002, the last day of the Regulatory Compliance Period established by the Bankruptcy Court.

Respectfully submitted,

By: Jean L. Kiddoo

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COUNSEL FOR APPLICANTS

LIST OF EXHIBITS

Exhibit 1

Sale Order approved by the Bankruptcy Court

YOUNG CONAWAY STARGATT & TAYLOR, LLP

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December 19, 2001

The Honorable Joseph J. Farnan, Jr.
United States District Court for the District of Delaware
844 King Street
Wilmington, DE 19801

Re: Winstar Communications, Inc., et al., Case No. 01-1430 (JJF)

Dear Judge Farnan:

Enclosed is a form of sale order and attached executed Asset Purchase Agreement and Management Agreement.

No party who objected to the sale order has withdrawn their objection, but the order provides that objections are overruled. Such objecting parties do not object to the form of order, while reserving all of their rights to file and pursue an appeal with respect to the relief granted.

Each of the objecting parties has reviewed this letter.

Accordingly, the Debtors hereby request the Court to enter the attached order.

Respectfully,

Pauline K. Morgan

Pauline K. Morgan

PKM:js
Enclosures
cc: All via e-mail with enclosures
Mark Kenney, Esq.
Stephen Karotkin, Esq.
Richard Cobb, Esq.
Chris Ward, Esq.
Jason Cohen, Esq.
Mark Shapiro, Esq.
Timothy Graham, Esq.
David Alabalah, Esq.
All Objecting Parties
All Parties requesting a copy of this letter and the
Proposed Order as set forth on the Attached Service List

Smith, Juliana

Distribution List Name: Winstar Sale Order

Members:

asherman	asherman@sillscummis.com
aturner	aturner@cwlaw.com
booth	booth@rlf.com
ckunz	ckunz@morrisjames.com
cobb	cobb@klettrooney
cward	cward@bayardfirm.com
dalbalah	dalbalah@mwe.com
david.snead	david.snead@espire.net
dladdin	dladdin@agg.com
dube	dube@blankrome.com
dwjessop	dwjessop@jessopco.com
eamiller	eamiller@hhlaw.com
ecdolan	ecdolan@hhlaw.com
jason.cohen	jason.cohen@cwt.com
jgronfus	jgronfus@att.com
jgroutus	jgroutus@att.com
jgrovfus	jgrovfus@att.com
jkiddoo	jkiddoo@swidlaw.com
jo-nell.labbient	jo-nell.labbient@twtelecom.com
jsandri	jsandri@winstar.com
kevin.ward	kevin.ward@wcg.com
kgwynne	kgwynne@reedsmith.com
kmiller	kmiller@skfdelaware.com
kzighini	kzighini@winstar.com
lsilverstein	lsilverstein@potteranderson.com
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mbcleary	mbcleary@ycst.com
mmharner	mmharner@jonesday.com
mminuti	mminuti@saul.com
msawczuk	msawczuk@saul.com
mselinger	mselinger@mwe.com
mshapiro	mshapiro@shearman.com
pkizel	pkizel@lowenstein.com
pmorgan	pmorgan@ycst.com
rpalacio	rpalacio@ashby-geddes.com
sfujimoto	sfujimoto@mwe.com
snyder	snyder90@aol.com
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IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
WINSTAR COMMUNICATIONS, INC., et al.,	Case No.: 01-1430 (JJF)
	Jointly Administered
Debtors.	

ORDER AUTHORIZING (i) SALE OF CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS ENCUMBRANCES, AND INTERESTS, (ii) APPROVING CURE AMOUNTS WITH RESPECT TO CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (iii) AUTHORIZING THE DEBTORS TO ENTER INTO AND APPROVING MANAGEMENT AGREEMENT, (iv) APPROVING REGULATORY TRANSITION PROCESS AND (v) GRANTING RELATED RELIEF

This matter having come before the court on (I) the motion (the "Original Motion"; terms not otherwise defined in this Sale Order shall have the meanings ascribed to such terms in the Original Motion) filed by Winstar Communications, Inc. and its affiliated debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors"), requesting the entry of (A) an order pursuant to sections 363(b) and 105(a) of title 11, United States Code (the "Bankruptcy Code") and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (i) approving bidding procedures, including bid protections, (ii) approving the form and manner of notice of (a) the hearing to consider granting certain bid protections (the "Bid Procedures Hearing"), (b) the hearing on the sale of certain of the Debtors' assets (the "Sale Hearing"), (c) proposed cure payments and (d) assumption and assignment of executory contracts and unexpired leases, and (iii) scheduling the Sale Hearing, and (B) an order authorizing and approving (i) the sale of certain of the Debtors' assets free and clear of liens, claims and encumbrances (the "Sale") and (ii) the assumption and assignment of certain executory contracts and unexpired leases, and (II) the supplement to the Original Motion filed with the Bankruptcy Court on December 14, 2001 (the "Motion Supplement", and together with the Original Motion, the "Motion") seeking entry of an order (i) authorizing the Debtors to enter into, and approving, a management agreement substantially in the form annexed to the Motion Supplement as Exhibit A (the "Management Agreement"), (ii) approving, and authorizing the Debtors to implement, the Debtors' proposed regulatory transition process (the "Regulatory Transition Process") and (iii) granting related relief, including an extension of the period under Bankruptcy Code section 365(d)(4) within which the Debtors may decide whether to assume or reject unexpired leases of nonresidential real property; and the Court having conducted a hearing on November 27, 2001, and having entered an order dated November 27, 2001 approving the Bidding Procedures; and an auction having been held at the offices of Shearman & Sterling, counsel to the Debtors, on December 5, 2001, in accordance with the Bidding Procedures previously approved by this Court; and following the conclusion of the Auction, the Debtors, in consultation with their financial advisors, and after consultation with counsel to each of the Creditors' Committee, the Agent for the Prepetition Lenders and the Agent for the DIP Lenders, having (i) reviewed each bid on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) identified the bid of IDT Winstar Acquisition, Inc. (the "Buyer"), as set forth in the Asset Purchase Agreement, dated as of December 18, 2001 (the "Asset Purchase Agreement") as the highest and best offer for the Purchased Assets (as defined below in Paragraph H) at the Auction (the "Successful Bid"); and a hearing on the Motion having been commenced on December 10, 2001 and continued on December 17, 2001 and December 18, 2001 (the "Sale Hearing"); and all interested parties having been afforded an opportunity to be heard with respect to the Motion; and the Court having reviewed and considered (i) the Motion, (ii) the objections thereto, if any, and (iii) the arguments of counsel made, and the evidence proffered or adduced at the Sale Hearing; and it appearing that the relief requested in the Motion and approval of the Sale of the assets to be acquired under the Asset Purchase Agreement (as defined therein, the "Purchased Assets") and the entry of an order approving the Sale (this "Sale Order") is in the best interests of the Debtors, their estates, creditors, and other parties in interest; and upon the record of the Sale Hearing, and these cases; and after due deliberation thereon; and good cause appearing therefor, it is hereby

FOUND AND DETERMINED AS FOLLOWS:[1]

A. This Court has jurisdiction over the Motion and the transactions contemplated by the Motion pursuant to 28 U.S.C. §§157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(M). Venue of these cases and the Motion is proper pursuant to 28 U.S.C. §§1408 and 1409.

B. The statutory predicates for the relief sought in the Motion are sections 105, 363 and 365 of 11 U.S.C. §§101 et seq. (the "Bankruptcy Code") and Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure.

C. As evidenced by the affidavits of service previously filed with the Court, and based on the representations of counsel at the Sale Hearing, (i) proper, timely, adequate and sufficient notice of the Motion, the Sale Hearing, the Cure Notices, the Sale of the Purchased

[1] Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. <u>See</u> Fed.R.Bank.P. 7052.

Assets and of the related transactions contemplated thereby (including without limitation the entry of the Debtors into the Management Agreement and the implementation of the Regulatory Transition Process) has been provided in accordance with sections 102(1), 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure; (ii) such notice was reasonable, sufficient, and appropriate under the circumstances; and (iii) no other or further notice of the Motion, the Sale Hearing, the Cure Notices, the Sale of the Purchased Assets and all the related transactions contemplated thereby (including without limitation the entry of the Debtors into the Management Agreement and the implementation of the Regulatory Transition Process) shall be required.

D. A reasonable opportunity to object or be heard with respect to the Motion and the relief requested in the Motion has been afforded to all interested persons and entities, including (i) counsel for the Buyer, (ii) counsel for The Bank of New York, as Agent under the Pre-Petition Credit Agreement, (iii) counsel for Citibank, N.A., as agent under the DIP Credit Agreement, (iv) counsel for the Official Committee of Unsecured Creditors (the "Creditors' Committee"), (v) the Office of the United States Trustee, (vi) each party identified by the Debtors as a potential Buyer of the Purchased Assets that was contacted as part of the Sale process, (vii) all entities known to have any asserted lien, claim, encumbrance, alleged interest in or with respect to the Purchased Assets, (viii) all applicable federal, state and local taxing authorities; and (ix) all other entities that have filed requests for notices pursuant to Bankruptcy Rule 2002.

E. The Debtors (i) have full corporate power and authority to execute the Asset Purchase Agreement and all other documents contemplated by the Motion, (ii) have all of the corporate power and authority necessary to consummate the transactions contemplated by the

Motion and the Asset Purchase Agreement and (iii) have taken all corporate action necessary to authorize and approve the Sale and the consummation by the Debtors of the transactions contemplated thereby.

F. The Debtors have demonstrated sound business justifications for the Sale and the other transactions and actions contemplated by the Motion pursuant to section 363(b) of the Bankruptcy Code.

G. Each of the Sale, the Management Agreement and the Asset Purchase Agreement were negotiated, proposed and agreed to by the Debtors and the Buyer as parties thereto without collusion, in good faith, and from arm's-length bargaining positions. The Buyer is a good faith purchaser under section 363(m) of the Bankruptcy Code and, as such is entitled to all of the protections afforded thereby.

H. The consideration provided by the Buyer for the Purchased Assets (i) is fair and reasonable, (ii) is the highest or otherwise best offer for the Purchased Assets and (iii) will provide a greater recovery for the Debtors' creditors and other interested parties than would be provided by any other practically available alternative.

I. The transfer of the Purchased Assets to the Buyer under the Sale and the Asset Purchase Agreement will be a legal, valid, and effective transfer of such Purchased Assets, and will, upon the occurrence of the Closing (as defined in the Asset Purchase Agreement), vest in the Buyer all right, title and interest of the Debtors in the Purchased Assets free and clear of all Encumbrances and interests other than the Permitted Encumbrances (in each case, as defined in the Asset Purchase Agreement) (collectively, the "Interests") including, but not limited to, those (i) that purport to give to any party a right or option to give any of the foregoing in the future, any sale or contingent sale or title retention agreement or lease, or termination of the Debtors' or the Buyer's interest in the Purchased Assets, or any similar rights, and (ii) relating to taxes arising under or out of, in connection with, or in any way relating to the operation of the Debtors' businesses prior to the Closing Date (as defined in the Asset Purchase Agreement).

J. The transfer of the Purchased Assets to the Buyer free and clear of all Interests will not result in any undue burden or prejudice to any holders of any Interests since all such Interests of any kind or nature whatsoever shall attach to the net proceeds of the Sale (the "Sale Proceeds") in the order of their priority, with the same validity, force and effect which they now have as against the Purchased Assets, subject to the Carveout (as defined in the Final Order Authorizing Debtors In Possession to Enter Into Post-Petition Credit Agreement and Obtain Post-Petition Financing Pursuant to Section 363 and 364 of the Bankruptcy Code, and Providing Adequate Protection and Granting Liens, Security Interests and Superpriority Claims, dated May 14, 2001 and entered in these cases) and to any claims and defenses the Debtors or other parties may possess with respect thereto.

K. The Buyer would not consummate the transactions contemplated by the Sale, thus adversely affecting the Debtors, their estates, and their creditors, if the Sale of the Purchased Assets to the Buyer was not free and clear of all Interests of any kind or nature whatsoever, or if the Buyer would, or in the future could, be liable for any such Interests and if the assignment of the Purchased Assets could not be made under section 363 of the Bankruptcy Code.

L. The Debtors may sell the Purchased Assets free and clear of all Interests of any kind or nature whatsoever because, in each case, one or more of the standards set forth in section 363(f) of the Bankruptcy Code has been satisfied. Those (i) holders of Interests and (ii) non-debtor parties who did not object, or who withdrew their objections, to the Sale, the Sale of the Purchased Assets or the Motion are deemed to have consented pursuant to Bankruptcy Code section 363(f)(2). Those holders of Interests fall within one or more of the other subsections of Bankruptcy Code section 363(f) and are adequately protected by having their Interests, if any, attach to the proceeds of the Sale ultimately attributable to the property against or in which they claim or may claim an Interest. Notwithstanding anything contained herein or in the Asset Purchase Agreement to the contrary, the Sale of the Purchased Assets is subject to the consent of the DIP Lenders.

M. Due to the regulated environment in which certain of the Purchased Assets are operated, the entry of this Sale Order is necessary to ensure the uninterrupted provision of services to customers of the Debtors (the "Customers") during the period in which the Buyer and the Debtors seek to comply with the applicable federal and state regulatory laws and to enter into contractual or other legal arrangements necessary for the consummation of the Sale, the transfer of the Licenses (as defined below) to the Buyer and the operation of the Purchased Assets by the Buyer (the "Compliance Items").

N. Approval at this time of the Sale, the Asset Purchase Agreement and the Management Agreement, and all the transactions contemplated thereby and hereby (including the Regulatory Transition Process) is in the best interests of the Debtors, their creditors, their estate and other parties in interest.

NOW THEREFORE, BASED UPON THE FOREGOING FINDINGS OF FACT, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED, EFFECTIVE IMMEDIATELY, THAT:

1. The Motion is granted, as further described herein.

2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are overruled on the merits, provided, however, that nothing herein shall alter or impair the rights of any party

that has filed and served a timely objection to dispute the amount of a cure payment listed on an applicable Cure Notice, which rights are specifically reserved and which disputes shall be resolved either consensually or, as necessary, by further order of the Court. Notwithstanding anything in the Motion, the Asset Purchase Agreement or this Sale Order to the contrary, the Debtors shall not be authorized to assume and assign any executory contract(s) between any of the Debtors and the United States General Services Administration (the "GSA") without the prior consent of a person authorized to act on behalf of the GSA to the extent such consent is required by any contract or applicable law.

3. The Asset Purchase Agreement substantially in the form attached as Exhibit A to the Notice of Filing of Asset Purchase Agreement, dated December 18, 2001 (including all exhibits, schedules and annexes thereto), and all of the terms and conditions thereof, are hereby approved.

4. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors are authorized to consummate the Sale of the Purchased Assets, pursuant to and in accordance with the terms and conditions of the Asset Purchase Agreement, to enter into the Management Agreement and to implement the Regulatory Transition Process.

5. The Debtors are authorized to execute and deliver, and are empowered to perform under, consummate and implement, the Asset Purchase Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Asset Purchase Agreement (including the Management Agreement), and to take all further actions as may be requested by the Buyer for the purpose of assigning, transferring, granting, conveying and conferring to the Buyer or reducing to possession, the Purchased Assets, or as may be necessary or appropriate to the performance of the obligations as contemplated by

the Asset Purchase Agreement, including without limitation the implementation of the Regulatory Transition Process. Notwithstanding anything in the Motion, the Asset Purchase Agreement or this Sale Order to the contrary, the Buyer assumes no employee liabilities that arose prior to the Closing Date, including any accrued but unbilled liabilities.

6. The transfer of the Purchased Assets to the Buyer pursuant to, and subject to the terms of, the Asset Purchase Agreement shall constitute a legal, valid and effective transfer of the Purchased Assets, and shall, upon the occurrence of the Closing, vest in the Buyer all right, title and interest of the Debtors in and to the Purchased Assets to be acquired by such Buyer free and clear of all Interests of any kind or nature whatsoever, with all such Interests to attach to the Sale Proceeds in the order of their priority, with the same validity, force and effect which they now have as against the Purchased Assets, subject to the Carveout and to any claims and defenses the Debtors or other parties may possess with respect thereto.

7. In consideration for the Purchased Assets, and subject to the terms and conditions of the Asset Purchase Agreement, the Buyer shall assume the Assumed Liabilities (as defined therein) and, on the Closing Date, shall irrevocably (i) pay, at the Debtors' election, exercised prior to the Closing Date, (x) an amount in cash equal to $38,000,000 (the "Cash Payment") or (y) an amount in cash equal to $30,000,000 and cause to be issued to the Debtors a number of shares of Class B common stock of IDT Corporation, having a value equal to $12,500,000 based on the average closing price of such stock during the seven trading day period ended December 14, 2001 (the "IDT Shares", and together with the $30,000,000, the "Cash/Stock Payment"), and (ii) issue to the Debtors such number of shares of common stock of the Buyer, representing 5% of the outstanding shares of Buyer Common Stock as of the date hereof, all in accordance with the terms and conditions of the Asset Purchase Agreement.

Pursuant to the Escrow Agreement (as defined in the Asset Purchase Agreement), which is hereby approved, on or before the date of this Sale Order, the Buyer shall deliver or shall have delivered the Cash Payment to the Escrow Agent (as defined in the Asset Purchase Agreement) to be held in escrow pending Closing. On the Closing Date, the Debtors and the Buyer shall instruct the Escrow Agent to promptly release the Escrow Amount (as defined in the Asset Purchase Agreement) to an account or accounts designated by the Debtors, on behalf of the Debtors in accordance with the terms of the Escrow Agreement. Such account shall be an interest-bearing account in the name of one or more of the Debtors established at Citibank, N.A. for the purpose of receiving such funds (the "Proceeds Account"). The Sale Proceeds shall be maintained in the Proceeds Account and shall not be distributed to any party in interest, including professionals and secured parties, pending further order of the Court following notice and a hearing. Accrued interest on such funds shall constitute part of the Sale Proceeds available for distribution.. The Buyer shall have no claim whatsoever to or against any of the funds in the Proceeds Account or to the IDT Shares or the Buyer Common Stock subsequent to the Closing. Any allocation of the Purchase Price agreed to by the Debtors and the Buyer shall not be binding on any other party.

8. On the Closing Date, the Buyer and the Debtors shall enter into the Management Agreement, and the Buyer shall deposit into an account at Citibank, N.A. (the "Operating Account") an amount in cash equal to $60 million in immediately available funds, to be used from and after the Closing Date through and including the Cutoff Date (as defined in the Management Agreement) exclusively to pay all costs set forth in subsection 3.1(a) of the Management Agreement. In the event that the Buyer shall fail to pay, as and when due, any such costs and the Debtors shall be held liable therefore, the Buyer hereby agrees to indemnify the

Debtors for all such costs. In the event that any funds shall be on deposit in the Account (as defined in the Management Agreement) after the Cutoff Date, and all accrued and unpaid costs required to be paid in accordance with the Management Agreement shall have been paid, any balance may, upon five (5) days' written notice to the Debtors, the Agent for the Postpetition Lenders and such telecommunications service providers that shall send written request to the Buyer requesting such notice and the Buyer shall provide such notice to each party to the extent such party shall continue to provide services to the Debtors or the Buyer, be withdrawn by the Buyer.

9. Except as expressly permitted or otherwise specifically provided for in the Asset Purchase Agreement or this Sale Order, effective upon the occurrence of the Closing, all persons and entities, including, but not limited to, all debt security holders, equity security holders, governmental, tax and other regulatory authorities, lenders, trade and other creditors holding Interests (including but not limited to any claims under any applicable revenue, pension, ERISA, tax, labor, environmental or natural resource law, rule or regulation, or any products liability law) of any kind or nature whatsoever against or in the Debtors or the Purchased Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, liquidated or unliquidated, senior or subordinated), arising under or out of, in connection with, or in any way relating to, the Debtors, the Purchased Assets, the operation of the Debtors' businesses prior to the Closing Date of the Sale of the Purchased Assets, or the transfer of such Purchased Assets to the Buyer, hereby are forever barred, estopped, and permanently enjoined from asserting against the Buyer, its successors or assigns (to the extent allowed by law), its property, its officers, directors and shareholders or the Purchased Assets, such persons' or entities' Interests. Notwithstanding anything herein to the contrary, nothing

herein shall in any way affect or diminish any rights of the Debtors or any successor thereto (including any chapter 11 or chapter 7 trustee) with respect to obligations of the Buyer arising under the Asset Purchase Agreement, the Management Agreement or this Sale Order. This Sale Order shall be binding on the Debtors and the Debtors' estates, including, following any conversion of these cases, any successor chapter 7 estates, and any chapter 7 trustees appointed in these cases.

10. The consideration provided by the Buyer for the Purchased Assets under the Asset Purchase Agreement shall be deemed to constitute reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia.

11. Notwithstanding any provision to the contrary in this Sale Order, the Motion or the Asset Purchase Agreement, certain prototype laboratory equipment (as listed on Exhibit A hereto, the "Lab Equipment") and certain disbursement and investment accounts established in connection with the Lucent Credit Agreement (as listed on Exhibit B hereto, the "Accounts") shall be segregated from the Debtors' other assets, shall not constitute part of the Purchased Assets and shall not be included in the Sale. Nothing in this Sale Order, the Motion or the Asset Purchase Agreement shall impair or affect the rights and interests of Lucent in the Lab Equipment and the Accounts. The Buyer hereby reserves the right, subject to notice and a hearing, to seek to characterize the Lab Equipment as owned by the Debtors, and to the extent an Order so providing is entered by the court, the Lab Equipment shall constitute Purchased Assets.

12. This Sale Order (a) shall be effective as a determination that, on the Closing Date, and subject to the occurrence of the Closing, all Interests of any kind or nature whatsoever existing prior to the Closing as to the Purchased Assets transferred pursuant to the

Asset Purchase Agreement (including but not limited to any claims under any applicable revenue, pension, ERISA, tax, labor, environmental or natural resource law, rule or regulation, or any products liability law) have been unconditionally released and terminated as to such Purchased Assets, and that the conveyances described herein have been effected, and (b) shall be binding upon and shall govern the act of all entities, including without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Purchased Assets.

13. Each and every federal, state and local governmental agency, department or unit is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Asset Purchase Agreement, except the FCC as regards its approval of the transfer of the Licenses.

14. Except as expressly permitted or otherwise specifically provided for in the Asset Purchase Agreement or this Sale Order in respect of the Asset Purchase Agreement or the Purchased Assets to be transferred pursuant to such Asset Purchase Agreement, the Buyer shall have no liability or responsibility for any liability or other obligation of the Debtors arising under or related to such Purchased Assets and, to the extent allowed by law, the Buyer (and its officers, managers and members) shall not be liable for any other claims against the Debtors or any of their predecessors or affiliates, and the Buyer shall have no successor or vicarious liabilities of any kind or character whether known or unknown as of the Closing Date under the Asset

Purchase Agreement, now existing or hereafter arising, whether fixed or contingent, with respect to the Debtors or any obligations of the Debtors, other than the Permitted Encumbrances, arising prior to the Closing Date under the Asset Purchase Agreement, including, but not limited to, any liabilities under any revenue, pension, ERISA, tax, labor, environmental or natural resource law, rule or regulation, or any products liability law, arising, accruing, or payable under, out of, in connection with, or in any way relating to the operation of the Debtors' businesses prior to the Closing Date. After the Closing and the payment of the Purchase Price, the Buyer shall have no liability to the Debtors or their estates for any diminution in value or other damage of any kind whatsoever to the Regulated Assets or the Licenses that may result from the Buyer's operation of the Debtors' business.

15. This Court retains and shall have exclusive jurisdiction to endorse and implement the terms and provisions of the Asset Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and each of the agreements executed in connection therewith (including the Management Agreement) in all respects, including, but not limited to, retaining jurisdiction to (a) compel delivery of the Purchased Assets to the Buyer, (b) compel delivery of the purchase price or performance of other obligations owed to the Debtors, (c) resolve any disputes arising under or related to the Asset Purchase Agreement, and (d) interpret, implement, and enforce the provisions of the Asset Purchase Agreement and this Sale Order.

16. The transactions contemplated by the Asset Purchase Agreement are undertaken by the Buyer in good faith, as that term is used in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale of any Purchased Assets shall not affect the validity of the Sale of such Purchased Assets to the Buyer, unless such authorization is duly stayed pending such

appeal prior to the Closing with respect to such Purchased Assets. The Buyer is a purchaser in good faith of the Purchased Assets, and the Buyer is entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code.

17. The terms and provisions of the Asset Purchase Agreement and this Sale Order shall be binding in all respects upon, and shall inure to the benefit of, the Debtors, their estates, and their creditors, the Buyer and their respective affiliates, successors and assigns and any affected third parties (including, but not limited to, all persons asserting Interests in the Purchased Assets to be sold to the Buyer pursuant to the Asset Purchase Agreement), notwithstanding any subsequent appointment of any trustee(s) under any chapter of the Bankruptcy Code, as to which trustee(s) such terms and provisions likewise shall be binding.

18. The failure specifically to include any particular provisions of the Asset Purchase Agreement in this Sale Order shall not diminish or impair the effectiveness of such provisions, it being the intent of the Court that the Asset Purchase Agreement be authorized and approved in its entirety. To the extent that any provision of this Sale Order is inconsistent with the Asset Purchase Agreement or the Management Agreement, the terms of this Sale Order shall control.

19. The Asset Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates and is, if occurring prior to the Closing Date, approved by counsel for each of the Creditors' Committee, the agent for the lenders under the Pre-Petition Credit Agreement, and the agent for the lenders under the DIP Credit Agreement. The Debtors shall also notify counsel for Lucent of any

modification, amendment or supplement to the Asset Purchase Agreement and, if such modification, amendment or supplement impairs or adversely affects Lucent's rights as a secured creditor in these chapter 11 cases, shall obtain Lucent's prior consent thereto.

20. The transfer of the Purchased Assets pursuant to the Asset Purchase Agreement, and the transactions contemplated thereby constitute steps toward the formulation, or in anticipation of the formulation of, a chapter 11 plan for the Debtors and as such, in accordance with section 1146(c) of the Bankruptcy Code, the making or delivery of any instrument of transfer to effectuate the Asset Purchase Agreement and the transactions contemplated thereby shall not be taxed under any law imposing a stamp tax or a sale, transfer or any other similar tax, and the recordation of any instruments (including bills of sale, leases, assignments and amendments thereto) to evidence the Sale of the Purchased Assets shall not be subject to any such tax.

21. All of the Debtors' interests in the Purchased Assets to be acquired by the Buyer under the Asset Purchase Agreement shall be, as of the Closing Date and upon the occurrence of the Closing, transferred to and vested in the Buyer. Upon the occurrence of the Closing, this Sale Order shall be considered and constitute for any and all purposes a full and complete general assignment, conveyance and transfer of the Purchased Assets acquired by the Buyer under the Asset Purchase Agreement and/or a bill of sale or assignment transferring good and marketable, indefeasible title and interest in the Purchased Assets acquired by the Buyer under the Asset Purchase Agreement to the Buyer.

22. As of the Closing Date, the Buyer shall be hereby granted immediate and unfettered access to the Purchased Assets (other than the Licenses) acquired by the Buyer.

Regulatory Transition Process

23. The Debtors and the Buyer shall have a period (the "Regulatory Compliance Period") of one hundred-twenty (120) days (subject to extension) from the Closing Date to obtain the requisite federal and state regulatory approvals necessary to operate the Business and to enter into contractual or other legal arrangements necessary for the consummation of the Sale, transfer of the Licenses and the Regulated Assets (as defined below) to the Buyer and the operation of the Purchased Assets by the Buyer (the "Compliance Items"). In order to ensure the uninterrupted provision of services to the Customers during the Regulatory Compliance Period, and the orderly transfer of the Licenses and, to the extent required by any other applicable law, any other assets subject to similar transfer restrictions (the "Regulated Assets") to the Buyer, the Buyer, the Debtors and all providers of goods and services to the Debtors, including but not limited to the common carrier service providers that provide services to the Debtors and any landlords of properties used by the Debtors (the "Service Providers") are hereby authorized and directed as follows:

a. As soon as practicable following the entry of this Sale Order, the Debtors and the Buyer are directed to file such applications as are required to seek the federal and state regulatory authority necessary for the Debtors to assign, and the Buyer to acquire, own and operate, the Licenses and the Regulated Assets.

b. On the Closing Date, the Buyer and the Debtors are directed to enter into a Management Agreement substantially in the form appended as Exhibit E to the Asset Purchase Agreement, pursuant to which the Buyer shall be entitled to manage and operate the business of the Debtors during the Regulatory Compliance Period on the terms and conditions set forth therein.

c. From the Closing Date to the Cutoff Date, all agreements and other arrangements with Service Providers relating to the Debtors providing service to Customers shall, subject to compliance with paragraph (d) below, remain in effect and may not be canceled or terminated, and absent an event of default occurring after the Closing Date in respect of facts arising after the Closing Date that has not been cured within three (3) business days after written notice (by email and facsimile) thereof has been received by the Buyer (Attention: Chief Financial Officer, email: steveb@corp.idt.net, facsimile: 973-438-1414, and McDermott, Will & Emery, Attention: David C. Albalah, Esq., email: dalbalah@mwe.com, facsimile: 212-574-5444), no Service Provider shall reduce or otherwise alter in any adverse manner its performance under any such agreement(s) or arrangement(s) until the Cutoff Date.

d. The Buyer shall be responsible for, and is directed to pay on a timely basis, all charges incurred for services used by the Debtors to provide services to the Customers from the Closing Date to the Cutoff Date, including all charges incurred with respect to Service Providers. The rates charged by Service Providers for such services shall not exceed the rates for those services in effect as of the date of this Sale Order. Neither the Debtors or Buyer shall have any obligation or liability for services not actually being utilized and each Service Provider shall, upon written notice from the Debtors and the Buyer, immediately and without charge or further liability of any kind discontinue and disconnect any such services provided to the Debtors and/or the Buyer.

e. The Buyer is further authorized to promptly establish such contractual or other legal arrangements as the Buyer and the Debtors deem necessary to operate the Debtors' assets and to provide service to Customers (including interconnection and other common carrier service agreements with Service Providers) and that will permit Buyer to provide service to Customers in a manner similar to the manner in which the Debtors provided such service prior to the date of this Sale Order and that will enable the Customers to continue to receive service in an uninterrupted and transparent manner.

f. During the 120-day period commencing on the Closing Date, in the event that any contract with any Service Provider that is a telecommunications carrier shall be rejected: (i) no termination liabilities shall arise; (ii) such telecommunications carrier shall provide telecommunications services in accordance with, and to the extent required by, applicable law in a non-discriminatory manner; and (iii) such telecommunications carrier will charge the Buyer for replacement circuits the lower of actual costs and tariff rates to set up or establish such replacement circuits.

24. The Buyer is hereby directed to pay all costs of the ongoing operations of the Business in accordance with the Management Agreement. The Buyer shall have the ability during the Regulatory Compliance Period to direct the Debtors to seek the entry of one or more orders of the Court authorizing the Debtors to assume and assign to the Buyer any executory contract or unexpired lease to which the Debtors are a party, provided that the Buyer shall be solely responsible for paying any cure payment that is payable in connection with any such assumption and assignment. The Buyer shall have the ability during the Regulatory Compliance Period to direct the Debtors to reject any executory contract or unexpired lease to which the Debtors are a party provided that the Buyer must elect whether to assume and assign or reject any contracts with the GSA and must provide written notice of such election to the GSA on or before January 2, 2002. The Debtors may effect any such rejection by delivery of two (2) business days prior written notice (and the irrevocable waiver of the right to withdraw such notice) to the non-Debtor party to any such executory contract or unexpired lease of the Debtors' unequivocal intent to reject such executory contract or unexpired lease. In the event that the Buyer elects to reject any contract on account of which a prepayment has been made pursuant to Section 3.1(a) of the Management Agreement, the counterparty to such contract shall be obligated to refund promptly to the Buyer (without setoff or counterclaim) the unused portion of such prepayment and in the event of any dispute with respect thereto, the Buyer reserves the right to seek adjudication in the Bankruptcy Court. In the event that the Buyer elects rejection of

some or all of Debtors' contracts with the GSA, the Buyer agrees that it will continue to provide telecommunications services to GSA until GSA has received sixty (60) days' notice of discontinuance, or such longer period as the FCC requires. In all other respects, the Buyer shall manage the operations of the Business and shall be responsible for such operation pursuant to the terms and subject to the conditions of the Asset Purchase Agreement and the Management Agreement. The period within which the Debtors may elect to assume or reject unexpired leases of nonresidential real property under Bankruptcy Code section 365(d)(4) is hereby extended through the duration of the Term.

25. Upon receipt of the required regulatory approvals and establishment of the necessary service agreements and arrangements, the Debtors are authorized to convey the Licenses and the Regulated Assets to the Buyer, in accordance with the terms and conditions of the Asset Purchase Agreement and the Management Agreement.

26. As provided by Rules 6004(g) and 6006(d) of the Federal Rules of Bankruptcy Procedure, the effectiveness of this Sale Order shall not be stayed for 10 days after entry on the docket and shall be effective and enforceable immediately upon such entry. The Buyer and the Debtors shall consummate the Sale as promptly as is practicable following Court approval of this Sale Order, so long as no stay of this Sale Order has been entered and is continuing.

Dated: Wilmington, Delaware
December ____, 2001

____
HONORABLE JOSEPH J. FARNAN, JR.
UNITED STATES DISTRICT JUDGE

EXHIBIT A

Description of Lab Equipment

The following equipment currently is located at the Winstar lab facility, 2545 Horse Pen Road, Herdon, Virginia (the "Winstar Lab").

1. Metropolis "evaluation" configuration description --

a. Metropolis 4500 System consisting of 1 Large Service Shelf, a High Speed optical Shelf and associated circuit packs;
b. Metropolis 2500 system consisting of a Large Service Shelf and associated circuit packs;
c. Metropolis 2000 system consisting of a Service Shelf and associated circuit packs.

The systems are installed in two seven foot equipment racks in the Winstar Lab.

2. AnyMedia "evaluation" configuration description --

a. AnyMedia Access Unit consisting of common circuit packs & associated interface circuit packs;

b. Breakdown for AnyMedia:

FAC 100 S1:1 SL1EJDCAA
FAC 100 S1:1 SLC1EJDCAA
COM100 S2:2 SLC1CGLCAA
COM100 S2:3 SLC1CGLCA8
DTP100 S1:1 SLC1DH0CAA
DTP101 S1:2 SLC1DHKCAB
LPA380 S3:3 E51SFBAAAA
LPA300 S1:1 SLCUVR0BAA
LPA380 S3:3 E51SFBAAAA
LPU 116 S2:3 SN980CD953522L 107743536002 ESPQAYKAA
Two tip ring cables - new
Two T-1 Cables pieced together from parts
Power cables

The trial configuration is a shelf mounted within a single seven foot equipment rack.

EXHIBIT B

Description of Accounts

Account	Account Number
Fleet Bank Investment Account	9427772529
Fleet Bank Investment Account	9428385707
State Street Investment Account	3274457
State Street Investment Account	3324773
Fleet Bank Disbursement Account	9427772510
Fleet Bank Disbursement Account	9428385694

Exhibit 2

Certificate of Formation of Winstar Communications, LLC

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "WINSTAR COMMUNICATIONS, LLC", FILED IN THIS OFFICE ON THE THIRTY-FIRST DAY OF DECEMBER, A.D. 2001, AT 5:22 O'CLOCK P.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3475554 8100

010678723

AUTHENTICATION: 1534629

DATE: 12-31-01

CERTIFICATE OF FORMATION

OF

WINSTAR COMMUNICATIONS, LLC

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1. The name of the limited liability company is Winstar Communications, LLC.

2. The address of its registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Zip Code 19801. The name of its registered agent at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation on this 31st day of December, 2001.

/s/ JOEL RUBINSTEIN
Joel Rubinstein, Authorized Person

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 05:22 PM 12/31/2001
010678723 – 3475556

CONSENT TO USE OF NAME

Winstar Communications, Inc., a Delaware corporation, hereby consents to the organization of Winstar Communications, LLC as a Delaware limited liability company.

IN WITNESS WHEREOF, the undersigned has caused this consent to be executed this 31st day of December, 2001.

WINSTAR COMMUNICATIONS, INC.

By: /S/ TIMOTHY R. GRAHAM
Name: Timothy R. Graham
Title: Executive Vice President

Exhibit 3

<u>Authority to Transact Business of Winstar Communications, LLC</u>

APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 608.503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Winstar Communications, LLC
(Name of foreign limited liability company)

2. Delaware
(Jurisdiction under the law of which foreign limited liability company is organized)

3. 01-0549724
(FEI number, if applicable)

4. 12/31/2001
(Date of Organization)

5. Perpetual
(Duration: Year limited liability company will cease to exist or "perpetual")

6. Upon qualification
(Date first transacted business in Florida. (See sections 608.501, 608.502, and 817.155, F.S.)

7. 1850 M Street NW, Suite 300, Washington, DC 20036
(Street address of principal office)

8. If limited liability company is a manager-managed company, check here [x]

9. The usual business addresses of the managing members or managers are as follows:

Winstar Holdings, LLC, 1850 M Street NW, Suite 300, Washington, DC 20036

10. Attached is an original certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (A photocopy is not acceptable. If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted.)

11. Nature of business or purposes to be conducted or promoted in Florida:

The provision of telecommunications service.

Signature of a member or an authorized representative of a member.
(In accordance with section 608.408(3), F.S., the execution of this document constitutes an affirmation under the penalties of perjury that the facts stated herein are true.)

Charles Garner

Typed or printed name of signee
Winstar Holdings, LLC, Manager
By: Charles Garner, President and CEO

Exhibit 4

Assignee's Corporate Structure

IDT Pre Acquisition

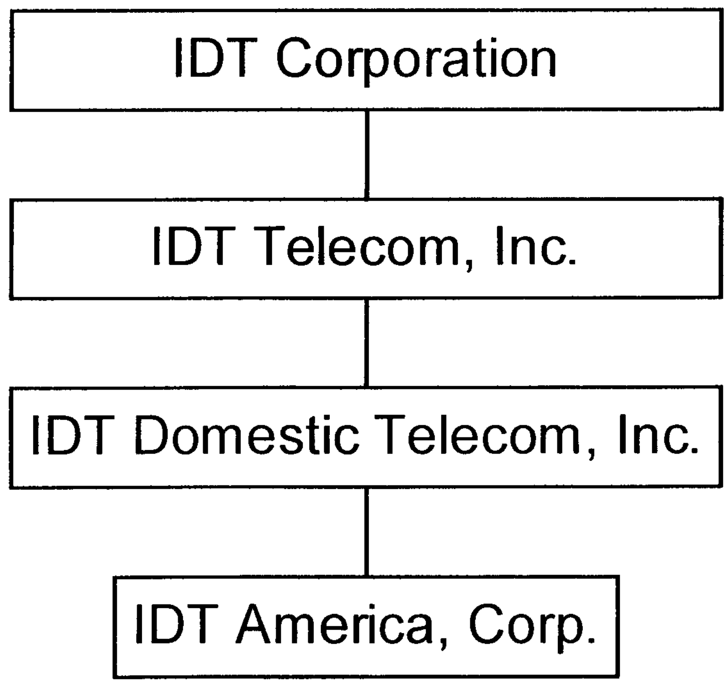

Exhibit 5

Assignor's Corporate Structure

WINSTAR PRE-ACQUISITION

Winstar Communications, Inc.

WCI Capital Corp.

Winstar Wireless, Inc.

394395.1

Exhibit 6

Illustrative Corporate Structure of IDT Corporation and Telecommunications Subsidiaries

WINSTAR POST-ACQUISITION STRUCTURE

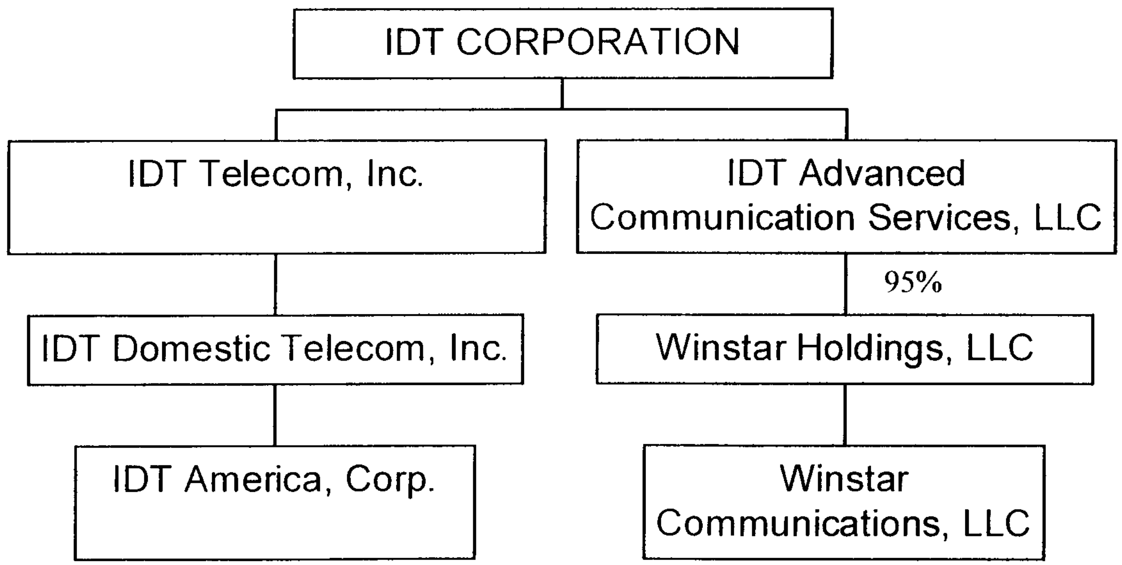

Exhibit 7

<u>Financial Statements from</u>
<u>2001 SEC Form 10-K of IDT Corporation</u>

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

FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO
SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JULY 31, 2001, 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)	22-3415036 (I.R.S. Employer Identification Number)

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price on October 26, 2001 of the Common Stock of $11.50 and of the Class B Common Stock of $9.35 was approximately $240,978,400.80 million and $264,078,996.50 million, respectively, as reported on the New York Stock Exchange. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock (assuming conversion of the Registrant's Class A Common Stock) have been excluded from this computation, in that such persons may be deemed to be affiliates of the Registrant. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of October 26, 2001, the Registrant had outstanding 23,212,753 shares of Common Stock, $.01 par value, 9,816,988 shares of Class A Common Stock, $.01 par value, and 47,263,289 shares of Class B Common Stock, $.01 par value. As of October 26, 2001, 5,390,163 shares of Common Stock and 4,019,063 shares of Class B Common Stock were held by IDT Telecom, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in the Registrant's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after July 31, 2001, is incorporated by reference in Part III (Items 10, 11, 12 and 13) of this Form 10-K.

==

IDT CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
IDT Corporation

We have audited the accompanying consolidated balance sheets of IDT Corporation (the "Company") as of July 31, 2000 and 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at July 31, 2000 and 2001 and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

New York, New York
October 23, 2001

IDT CORPORATION

CONSOLIDATED BALANCE SHEETS

	July 31 2000	July 31 2001
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 162,879	$ 1,091,071
Marketable securities	230,160	3,489
Trade accounts receivable, net of allowance for doubtful accounts of approximately $26,771 at July 31, 2000 and $22,508 at July 31, 2001	160,995	116,759
Other current assets	87,859	32,413
Total current assets	641,893	1,243,732
Property, plant and equipment, net	225,638	224,042
Goodwill and other intangibles, net	162,233	197,804
Marketable securities	132,278	--
Investments	29,318	60,732
Other assets	27,695	155,028
Total assets	$ 1,219,055	$ 1,881,338
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 161,888	$ 163,313
Accrued expenses	36,436	54,893
Deferred revenue	48,572	71,387
Notes payable--current portion	22,604	2,657
Capital lease obligations--current portion	13,540	18,270
Other current liabilities	10,923	17,819
Total current liabilities	293,963	328,339
Deferred tax liabilities	168,772	390,914
Notes payable--long-term portion	12,174	380
Capital lease obligations--long-term portion	43,940	49,799
Other liabilities	709	14,502
Total liabilities	519,558	783,934
Minority interests	231,309	21,419
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; 25,959,256 and 22,791,789 shares issued and outstanding in 2000 and 2001, respectively	260	228
Class A common stock, $.01 par value; authorized shares--35,000,000; 9,970,233 and 9,816,988 shares issued and outstanding in 2000 and 2001, respectively	100	98
Class B common stock, $.01 par value; authorized shares--100,000,000; 35,929,489 and 39,291,411 shares issued and outstanding in 2000 and 2001, respectively	359	393
Loans to stockholders	(251)	(251)
Additional paid-in capital	370,646	494,093
Treasury stock, at cost	--	(138,087)
Accumulated other comprehensive income	(92,653)	(2,575)
Retained earnings	189,727	722,086
Total stockholders' equity	468,188	1,075,985
Total liabilities and stockholders' equity	$ 1,219,055	$ 1,881,338

See accompanying notes.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended July 31 1999	2000	2001
	(In thousands, except per share data)		
Revenues	$ 732,184	$ 1,093,912	$ 1,230,950
Costs and expenses:			
Direct cost of revenues	575,050	918,257	1,066,845
Selling, general and administrative	128,500	343,702	337,107
Depreciation and amortization	36,360	48,564	60,351
Impairment charges	--	--	199,357
Total costs and expenses	739,910	1,310,523	1,663,660
Loss from operations	(7,726)	(216,611)	(432,710)
Interest income (expense), net	(1,228)	7,231	52,768
Equity loss	--	(6,289)	(75,066)
Gain on sales of subsidiary stock	--	350,344	1,037,726
Other income (expense)	(2,035)	258,218	164,762
Income (loss) before income taxes, minority interests and extraordinary item	(10,989)	392,893	747,480
Provision for income taxes	7,253	218,403	209,395
Minority interests	(3,308)	(59,336)	5,726
Income (loss) before extraordinary item	(14,934)	233,826	532,359
Extraordinary loss on retirement of debt, net of income taxes	(3,270)	(2,976)	--
Net income (loss)	(18,204)	230,850	532,359
Subsidiary redeemable preferred stock dividends	26,297	--	--
Net income (loss) attributable to common stockholders	$ (44,501)	$ 230,850	$ 532,359
Net income (loss) per share:			
Net income (loss) attributable to common stockholders before extraordinary item:			
Basic	$ (0.61)	$ 3.34	$ 7.79
Diluted	$ (0.61)	$ 3.11	$ 7.12
Extraordinary loss on retirement of debt, net of income taxes:			
Basic	$ (0.05)	$ (0.04)	$ --
Diluted	$ (0.05)	$ (0.04)	$ --
Net income (loss) attributable to common stockholders:			
Basic	$ (0.66)	$ 3.30	$ 7.79
Diluted	$ (0.66)	$ 3.07	$ 7.12
Weighted-average number of shares used in calculation of net income (loss) per share:			
Basic	67,060	69,933	68,301
Diluted	67,060	75,239	74,786

See accompanying notes.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Class A Stock		Class B Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at July 31, 1998	22,848,866	$ 229	10,255,668	$ 102	33,104,534	$ 330
Exercise of stock options	696,840	7	--	--	696,840	7
Income tax benefit from stock options exercised	--	--	--	--	--	--
Conversion of Class A stock to common stock	225,910	2	(225,910)	(2)	--	--
Issuance of common stock in connection with business acquisitions	100,000	1	--	--	100,000	1
Exercise of warrants	111,238	1	--	--	111,238	1
Costs associated with stock registration	--	--	--	--	--	--
Net loss for the year ended July 31, 1999	--	--	--	--	--	--
Balance at July 31, 1999	23,982,854	240	10,029,758	100	34,012,612	339
Exercise of stock options	1,310,700	13	--	--	1,310,700	13
Income tax benefit from stock options exercised	--	--	--	--	--	--
Conversion of Class A stock to common stock	59,525	--	(59,525)	--	--	--
Exercise of warrants	19,963	--	--	--	19,963	--
Issuance of common stock	3,728,949	37	--	--	3,728,949	37
Change in unrealized gain (loss) in available for sale securities	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--
Repurchase of common stock	(3,142,735)	(30)	--	--	(3,142,735)	(30)
Modification of stock options	--	--	--	--	--	--
Stock options given to partnership	--	--	--	--	--	--
Net income for the year ended July 31, 2000	--	--	--	--	--	--
Comprehensive income						
Balance at July 31, 2000	25,959,256	260	9,970,233	100	35,929,489	359
Exercise of stock options	698,451	7	--	--	343,000	4
Income tax benefit from stock options exercised	--	--	--	--	--	--
Conversion of Class A stock to common stock	153,245	2	(153,245)	(2)	--	--
Issuance of stock options	--	--	--	--	--	--
Modification of stock options	--	--	--	--	--	--
Issuance of Class B common stock	--	--	--	--	7,038,085	71
Change in unrealized gain (loss) in available for sale securities	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--
Repurchase of common stock	(4,019,163)	(41)	--	--	(4,019,163)	(41)
Net income for the year ended July 31, 2001	--	--	--	--	--	--
Comprehensive income						
Balance at July 31, 2001	22,791,789	$ 228	9,816,988	$ 98	39,291,411	$ 393

	Loans to Stockholders	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Stockholders' Equity
Balance at July 31, 1998	$ --	$ 305,049	$--	$ --	$ (22,919)	$ 282,791
Exercise of stock options	(251)	4,068	--	--	--	3,831
Income tax benefit from stock options exercised	--	4,258	--	--	--	4,258
Conversion of Class A stock to common stock	--	--	--	--	--	--
Issuance of common stock in connection with business acquisitions	--	2,848	--	--	--	2,850
Exercise of warrants	--	922	--	--	--	924
Costs associated with stock registration	--	(123)	--	--	--	(123)
Net loss for the year ended July 31, 1999	--	--	--	--	(18,204)	(18,204)
Balance at July 31, 1999	(251)	317,022	--	--	(41,123)	276,327
Exercise of stock options	--	14,508	--	--	--	14,534
Income tax benefit from stock options exercised	--	10,346	--	--	--	10,346
Conversion of Class A stock to common stock	--	--	--	--	--	(1)
Exercise of warrants	--	117	--	--	--	117
Issuance of common stock	--	128,574	--	--	--	128,648
Change in unrealized gain (loss) in available for sale securities	--	--	--	(94,044)	--	(94,044)
Foreign currency translation adjustment	--	--	--	1,391	--	1,391
Repurchase of common stock	--	(101,822)	--	--	--	(101,882)
Modification of stock options	--	985	--	--	--	985
Stock option given to partnership	--	916	--	--	--	916
Net income for the year ended July 31, 2000	--	--	--	230,850	230,850	230,850
Comprehensive income				138,197		
Balance at July 31, 2000	(251)	370,646	--	(92,653)	189,727	468,188
Exercise of stock options	--	6,872	--	--	--	6,883
Income tax benefit from stock options exercised	--	2,676	--	--	--	2,676
Conversion of Class A stock to common stock	--	--	--	--	--	--
Issuance of stock options	--	2,000	--	--	--	2,000
Modification of stock options	--	3,082	--	--	--	3,082
Issuance of Class B common stock	--	106,497	--	--	--	106,568
Change in unrealized gain (loss) in available for sale securities	--	--	--	89,148	--	89,148
Foreign currency translation adjustment	--	--	--	930	--	930
Repurchase of common stock	--	2,320	(138,087)	--	--	(135,849)
Net income for the year ended July 31, 2001	--	--	--	532,359	532,359	532,359
Comprehensive income				622,437		
Balance at July 31, 2001	$ (251)	$ 494,093	$(138,087)	$ (2,575)	$ 722,086	$ 1,075,985

See accompanying notes.

IDT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended July 31 1999	2000	2001
		(In thousands)	
Operating activities			
Net income (loss)	$ (18,204)	$ 230,850	$ 532,359
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	36,360	48,564	60,351
Impairment charges	--	--	199,357
Extraordinary loss on retirement of debt before taxes	5,360	4,870	--
Minority interests	(3,309)	(59,336)	5,726
Deferred tax liabilities	(1,156)	216,903	204,188
Issuance of common stock to charitable foundation	--	--	26,378
Net realized (gains)/losses from sales of marketable securities and investments	--	(261,025)	148,724
Equity loss	--	6,289	75,066
Non-cash compensation	15,734	42,917	3,082
Gain on TyCom settlement	--	--	(313,486)
Gain on sales of subsidiary stock	--	(350,344)	(1,037,726)
Changes in assets and liabilities:			
Trade accounts receivable	(68,108)	(52,643)	36,029
Other current assets	(24,214)	(40,718)	26,941
Other assets	(6,771)	12,524	(12,707)
Deferred revenue	4,035	34,026	7,271
Trade accounts payable and other	41,976	90,053	64,675
Net cash provided by (used in) operating activities	(18,297)	(77,070)	26,228
Investing activities			
Purchases of property, plant and equipment	(48,098)	(101,192)	(106,513)
Purchase of trademark	(5,000)	--	--
Issuance of notes receivable	(13,423)	--	(12,089)
Investments and acquisitions, net of cash acquired	(10,735)	(38,803)	(73,722)
Collection of notes receivable	14,040	9,524	--
Sales of marketable securities	--	--	164,052
Net purchases of marketable securities	(17,561)	(7,059)	--
Net proceeds from sales of subsidiary stock	--	115,434	1,042,113
Net cash provided by (used in) investing activities	(80,777)	(22,096)	1,013,841
Financing activities			
Proceeds from issuance of Series A preferred stock and warrants by Net2Phone	29,900	--	--
Proceeds from exercise of stock options for Net2Phone	1,334	8,172	--
Proceeds from exercise of warrants for Net2Phone	438	--	--
Payment of debt issuance costs	(4,475)	--	--
Distributions to minority shareholder	(6,079)	(3,179)	(18,908)
Proceeds from borrowings	115,945	13,898	--
Proceeds from exercise of warrants	924	118	--
Proceeds from exercise of stock options	7,967	14,534	6,883
Repayments of capital lease obligations	(5,349)	(9,833)	(14,736)
Repayments of borrowings	(103,912)	(108,146)	(26,054)
Proceeds from sale of common stock	--	128,648	74,787
Proceeds from offerings of common stock by Net2Phone	--	261,189	--
Collection of loans to stockholders by Net2Phone	--	623	--
Proceeds from minority investment in subsidiary	--	5,000	--
Proceeds from issuance of stock options	--	--	2,000
Payments to repurchase common stock	--	(101,882)	(135,849)
Net cash (used in) provided by financing activities	36,693	209,142	(111,877)
Net increase (decrease) in cash	(62,381)	109,976	928,192
Cash and cash equivalents at beginning of year	115,284	52,903	162,879
Cash and cash equivalents at end of year	$ 52,903	$ 162,879	$ 1,091,071
Supplemental disclosure of cash flow information			
Cash payments made for interest	$ 13,483	$ 10,074	$ 7,997
Cash payments made for income taxes	$ 235	$ 1,050	$ 5,963
Supplemental schedule of noncash activities			
Purchase of fixed assets by capital lease	$ 11,899	$ 45,541	$ 759

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2001

1. Summary of Significant Accounting Policies

Description of Business

IDT Corporation ("IDT" or the "Company") is a multinational telecommunications carrier that provides a broad range of services to its retail and wholesale customers worldwide. The Company mainly provides its customers with integrated international and domestic long distance, and prepaid calling cards.

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

As discussed in footnote 15, "Subsequent Events", on October 23, 2001, IDT, Liberty Media Group ("Liberty Media") and AT&T formed a limited liability company ("LLC"), which through a series of transactions among IDT, Liberty Media and AT&T now holds an aggregate of 28.9 million shares of Net2Phone's Class A common stock, representing approximately 50% of Net2Phone's outstanding capital stock. Because the LLC holds Class A common stock with two votes per share, the LLC has approximately 64% of the shareholder voting power in Net2Phone. IDT holds the controlling membership interest in the LLC.

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

Basis of Consolidation and Accounting for Investments

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

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

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

Reclassifications

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

Use of Estimates

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

Revenue Recognition

Telecommunication services, Internet telephony services, Internet subscription services, and prepaid calling card revenues are recognized as services are provided. Equipment sales are recognized when installation is completed. Prepayments for services are deferred and recognized as revenue as the services are provided.

Sales of equipment with software necessary to provide the Company's services are accounted for in accordance with the American Institute of Certified Public Accountants' Statement of Position 97-2, Software Revenue

Recognition. Revenue on such sales is recognized when such products are delivered, collection of payments are assured and there are no significant future obligations.

Direct Cost of Revenue

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

Property, Plant and Equipment

Equipment, buildings, furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. Leasehold improvements are depreciated using the straight line method over the term of their lease or their estimated useful lives, whichever is shorter. Computer software is amortized over a period not exceeding five years.

Subscriber Acquisition Costs and Advertising

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

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

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

For the years ended July 31, 1999, 2000 and 2001, advertising expense totaled approximately $10,454,000, $46,722,000 and $17,071,000, respectively.

During the year ended July 31, 2000, the Company incurred approximately $28,000,000 of costs to terminate advertising arrangements. These termination costs are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Software Development Costs

Costs for the internal development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. For the years ended July 31, 1999, 2000 and 2001, research and development costs totaled approximately $757,000, $4,692,000 and $2,484,000, respectively.

Capitalized Internal Use Software Costs

The Company capitalizes certain costs incurred in connection with developing or obtaining internal use software. These costs consist of payments made to third parties and the salaries of employees working on such software development. For the years ended July 31, 1999, 2000 and 2001, the Company has capitalized $4,065,000, $8,593,000 and $2,463,000, respectively, of internal use software costs as computer software.

Long-Lived Assets

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are carried at cost which approximates market value. At July 31, 2000 and 2001, the Company had 66% and 89%, respectively, of its cash and cash equivalents in three financial institutions.

Marketable Securities

Marketable securities consist of equity securities, U.S. Government Agency Obligations and commercial paper. Certain debt securities held by Net2Phone, with original maturities of greater than three months at the time of purchase are classified as held to maturity and are carried at amortized cost. Interest on these securities is included in interest income as earned.

During fiscal 2000, IDT sold approximately $55,000,000 of held-to-maturity securities prior to their maturity dates and recorded a loss of approximately $1,200,000. The securities were sold to fund certain transactions. In connection with these sales, marketable securities with a cost basis of approximately $22,000,000 were reclassified as available-for-sale and through July 31, 2000, unrealized losses of approximately $850,000 were included in accumulated other comprehensive income.

Goodwill and Other Intangibles

Goodwill is amortized over 5 to 20 years using the straight-line method. Costs associated with obtaining the right to use trademarks and patents owned by third parties are capitalized and amortized on a straight-line basis over the term of the trademark licenses and patents. Other intangible assets consist of core programming technology and assembled workforce which are amortized over 32 to 35 months, and 48 to 54 months, respectively. The Company systematically reviews the recoverability of its acquired intangible assets for each acquired entity to determine whether an impairment has occurred. Upon determination that the carrying value of acquired intangible assets will not be recovered based on the undiscounted future cash flows of the acquired business, the carrying value of such acquired intangible assets would be considered impaired and would be reduced by a charge to operations in the amount that the carrying value exceeds the fair value.

Income Taxes

The Company accounts for income taxes under the liability method in accordance with SFAS No. 109, Accounting for Income Taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities.

Earnings (Loss) Per Share

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

Vulnerability Due to Certain Concentrations

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash, cash equivalents, marketable securities and trade accounts receivables. Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers comprising the Company's customer base.

The Company is subject to risks associated with its international operations, including changes in exchange rates, difficulty in trade accounts receivable collection and longer payment cycles.

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

Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Consequently, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. At July 31, 2001, the book carrying value of the Company's notes receivable and notes payable approximates fair value.

Stock Based Compensation

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

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

Recently Issued Accounting Standards

In June 2001, the FASB issued SFAS No.142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001, with early adoption permitted for companies with fiscal years beginning after March 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company has chosen to early adopt the new rules on accounting for goodwill and other intangible assets and apply them beginning in the first quarter of fiscal 2002. The Company is currently performing the required impairment tests of goodwill and indefinite lived intangible assets as of August 1, 2001. Although the tests have not yet been finalized, preliminary indications are that the Company will record a significant impairment charge on its goodwill in the first quarter of fiscal 2002. The impairment charge will be recorded as a cumulative effect adjustment of a change in accounting principle.

2. Marketable Securities

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

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

The following is a summary of marketable securities as of July 31, 2000:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Short-term				
Held-to-maturity securities:				
U.S. Government Agency Obligations	$ 9,500	$ 2	$ (13)	$ 9,489
Commercial paper	49,642	--	(45)	49,597
	59,142	2	(58)	59,086
Available-for-sale securities:				
U.S. Government Agency Obligations	23,097	--	--	23,097
Terra common stock	147,921	--	--	147,921
	171,018	--	--	171,018
Long-term				
Held-to-maturity securities:				
U.S. Government Agency Obligations	5,000	--	(21)	4,979
Commercial paper	17,943	--	(38)	17,905
	22,943		(59)	22,884
Available-for-sale securities:				
WebEx common stock	5,332	--	--	5,332
Yahoo! Inc. common stock	104,003	--	--	104,003
	$ 109,335	$ --	$ --	$ 109,335

Proceeds and realized losses from the sale of available-for-sale securities for the year ended July 31, 2001 amounted to approximately $164,052,000 and $138,019,000, respectively

Terra Networks Transaction

In October 1999, IDT entered into a joint venture agreement with Terra Networks, S.A. ("Terra") pursuant to which the two parties formed two limited liability companies to provide Internet services and products to customers in the United States. One company was formed to provide Internet access to customers and the other company was formed to develop and manage an Internet portal that would provide content-based Internet services. IDT's 49% interest in the Internet access company was accounted for using the equity method of accounting. The equity method was used since IDT had significant influence, but less than a controlling voting interest. IDT's 10% interest in the Internet portal company was accounted for at cost. The cost method was used since IDT did not have a controlling voting interest, or an ownership or voting interest so large as to exert significant influence, and the venture was not publicly traded. On April 30, 2000, the Company sold its interests in the two joint ventures for the right to receive 3,750,000 shares of Terra common stock. In connection with this transaction, the Company recognized a pre-tax gain of approximately $231,032,000 for the year ended July 31, 2000. During the year ended July 31, 2001, the Company sold 3,745,000 of its Terra shares and recognized a loss of approximately $129,200,000, which has been included as a component of "Other income."

3. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	July 31 2000	July 31 2001
	(In thousands)	
Equipment	$ 238,767	$ 264,422
Computer software	32,215	10,192
Leasehold improvements	11,918	16,930
Furniture and fixtures	10,625	15,793
Land and building	6,327	8,937
	299,852	316,274
Less accumulated depreciation and amortization	(74,214)	(92,232)
Property, plant and equipment, net	$ 225,638	$ 224,042

Fixed assets under capital leases aggregate approximately $71,835,000 and $104,215,000 at July 31, 2000 and 2001, respectively. The accumulated amortization related to these assets under capital leases is approximately $17,756,000 and $35,361,000 at July 31, 2000 and 2001, respectively.

4. Goodwill and Other Intangibles

Goodwill and other intangibles consist of the following:

	July 31 2000	July 31 2001
	(In thousands)	
Goodwill	$ 156,639	$ 197,863
Assembled workforce	3,317	2,817
Core technology and patents	35,100	42,523
	195,056	243,203
Less accumulated amortization	(32,823)	(45,399)
Goodwill and other intangibles, net	$ 162,233	$ 197,804

Effective Fiscal 2002, the Company intends to adopt SFAS No. 142. As a result, the Company will no longer amortize goodwill and other intangibles deemed to have indefinite lives, but will be subject to annual impairment tests. Assembled workforce will be subsumed into goodwill.

5. Notes Payable

Notes payable consists of the following:

	July 31 2000	July 31 2001
	(In thousands)	
Promissory note (A)	$ 4,768	$ 2,332
Promissory note (B)	16,942	--
Promissory note (C)	4,800	--
Promissory note (C)	6,537	--
Other	1,731	705
	34,778	3,037
Less notes payable--current portion	(22,604)	(2,657)
Notes payable--long-term portion	$ 12,174	$ 380

(A) On May 6, 1999, the Company entered into a $7,800,000 promissory note with a financing company. The note is payable in 36 monthly installments commencing on June 1, 1999, and bears an adjustable interest rate indexed to the one month LIBOR rate. The promissory note is collateralized by certain equipment of the Company.

(B) On June 30, 2000, the Company completed the acquisition of a 100% interest in CTM Brochure Display, Inc. ("CTM"), a brochure distribution company. In connection with the acquisition, the Company issued promissory notes to the former shareholders in the aggregate amount of $16,942,000. The notes bear interest at the rate of 9.50% per annum. The principal balance on the notes, together with accrued interest, were repaid in full during the year ended July 31, 2001.

(C) The promissory notes were issued in connection with Net2Phone's Aplio acquisition and bore interest at an annual rate of 6.53%. The Company was required to pay $1,961,235 of the notes on March 31, 2001 and the remaining principal balance of $4,576,215 plus all accrued and unpaid interest on January 31, 2002. In addition Net2Phone was required to pay the former Aplio shareholders $4,800,000 over 18 months from the date of sale.

On May 10, 1999, the Company obtained a Senior Secured Credit Facility ("Credit Facility") from a consortium of financial institutions. During the second quarter ended January 31, 2000, the Company repaid all of the outstanding principal balance together with accrued interest. The Company recorded a pre-tax extraordinary loss in connection with the repayment of $4,870,000 during the year ended July 31, 2000.

Annual future principal repayments of long-term debt for the five years subsequent to July 31, 2001 consist of $2,657,000 due in fiscal 2002, and $380,000 due in fiscal 2006.

6. Income Taxes

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

	July 31 2000	July 31 2001
	(in thousands)	
Deferred tax assets:		
Unrealized losses on securities	$ 34,484	$ 857
Bad debt reserve	5,331	3,980
Exercise of stock options	3,277	9,857
Reserves	4,500	4,500
Charitable contributions	--	10,765
Other	289	8,992
Deferred tax assets	47,881	38,951
Deferred tax liabilities:		
Deferred Revenue	--	(196,000)
Unrecognized gain on securities	--	(100,313)
Gain on sales of subsidiary stock	(97,830)	(105,466)
Partnership	(92,413)	--
Depreciation	(14,466)	(16,074)
Identifiable intangibles	(1,728)	(3,583)
Other	(10,216)	(8,429)
Deferred tax liabilities	(216,653)	(429,865)
Net deferred tax liabilities	$(168,772)	$(390,914)

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

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

	1999	2000	2001
		(in thousands)	
Current:			
Federal	$ 400	$ --	$ 6,600
State and local and foreign	--	(395)	14,249
	400	(395)	20,849
Deferred:			
Federal	3,768	175,191	150,997
State and local and foreign	995	41,712	37,549
	4,763	216,903	188,546
	$ 5,163	$ 216,508	$ 209,395

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

	1999	2000	2001
		(in thousands)	
Income tax provision attributable to continuing operations	$ 7,253	$ 218,403	$ 209,395
Income tax benefit attributable to extraordinary loss	(2,090)	(1,895)	--
	$ 5,163	$ 216,508	$ 209,395

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

	1999	2000	2001
		(in thousands)	
Federal income tax at statutory rate	$ (3,842)	$ 137,513	$ 261,618
Foreign tax rate differential	--	--	(99,563)
Losses for which no benefit provided	6,110	32,703	19,141
Nondeductible expenses	2,226	17,625	2,162
State and local and foreign income tax	647	28,612	26,037
Other	22	55	--
	$ 5,163	$ 216,508	$ 209,395

7. Stockholders' Equity

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

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

Stock Options

Prior to March 15, 1996, the Company had an informal stock option program whereby employees were granted options to purchase shares of common stock. Under this informal program, options to purchase 4,317,540 shares of common stock were granted.

The Company adopted a stock option plan as amended (the "Option Plan") for officers, employees and non-employee directors to purchase up to 6,300,000 shares of the Company's common stock. In September 2000, the Board of Directors of the Company approved an amendment to the Option Plan to reserve for issuance of 6,000,000 shares of Class B common stock. Generally, options become exercisable over vesting periods up to six years and expire ten years from the date of grant.

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

	Shares	Weighted-Average Exercise Price
Outstanding at July 31, 1998	6,429,270	$ 3.95
Granted	2,272,482	7.61
Exercised	(1,393,680)	2.93
Canceled	(116,000)	7.43
Forfeited	(16,140)	4.14
Outstanding at July 31, 1999	7,175,932	5.25
Granted	8,851,086	9.98
Exercised	(2,621,400)	5.54
Canceled	(95,000)	8.86
Forfeited	(31,500)	10.93
Outstanding at July 31, 2000	13,279,118	8.31
Granted	5,112,004	9.15
Exercised	(1,041,451)	6.61
Canceled	(299,247)	5.71
Forfeited	(55,200)	12.63
Outstanding at July 31, 2001	16,995,224	$ 8.70

The following table summarizes the status of stock options outstanding and exercisable at July 31, 2001:

	Stock Options Outstanding		
Range of Exercise Prices	Number of Options	Weighted-Average Remaining Contractual Life (in years)	Number of Stock Options Exercisable
$0.10 - $0.10	470,500	3.0	470,500
$0.21 - $0.21	17,632	3.7	17,632
$0.41 - $0.41	81,000	3.0	81,000
$0.83 - $0.83	30,000	3.7	30,000
$2.19 - $2.63	705,400	5.6	705,400
$3.44 - $4.13	985,250	5.7	835,250
$5.63 - $8.00	2,581,400	6.5	1,823,091
$8.72 - $12.13	10,960,542	8.9	3,065,020
$13.13 - $18.51	1,163,500	8.2	732,350
	16,995,224	7.9	7,760,243

The weighted-average fair value of options granted was $4.63, $7.42 and $7.05 for the years ended July 31, 1999, 2000, and 2001, respectively.

Pro forma information regarding net income (loss) and income (loss) per share is required by SFAS No. 123, and has been determined as if the Company had accounted for employees' stock options under the fair value method provided by that statement. The fair value of the stock options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions for vested and non-vested options.

	1999	2000	2001
Assumptions			
Average risk-free interest rate..........	4.67%	6.49%	4.77%
Dividend yield...........................	--	--	--
Volatility factor of the expected market price of the Company's common stock......	84%	81%	90%
Average life............................	5 years	5 years	5 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employees' stock options.

For purposes of pro forma disclosures, the estimated fair value of the options under SFAS No. 123 is amortized to expense over the options' vesting period. For the years ended July 31, 1999, 2000 and 2001, pro forma net income (loss) and pro forma net income (loss) per share under SFAS No.123 amounted to the following:

	Year ended July 31,		
	1999	2000	2001
Pro forma net income (loss)	(53,295,000)	214,286,000	514,716,000
Pro forma net income (loss) per share:			
Basic	(0.80)	3.06	7.54
Diluted	(0.80)	2.84	6.88

The Company has modified stock options granted for certain employees of the Company to accelerate or extend their terms. Accordingly, the Company recorded additional compensation expense of approximately $3,082,000 and $985,000, for the years ended July 31, 2001 and 2000, respectively.

Net2Phone Stock Options

In the fourth quarter of fiscal 1999, Net2Phone granted options to purchase 8,811,500 shares of its common stock at exercise prices ranging from $3.33 to $15.00 per share to its employees and employees of IDT. In connection with the exercise of these options, Net2Phone extended $3,149,900 of recourse loans to its employees. In order to obtain the loans, optionees agreed to the cancellation of 23,382 outstanding options.

During the quarter ended July 31, 2000, stock options issued to certain officers and employees of Net2Phone were accelerated in accordance with the original stock option awards and as a result Net2Phone recorded approximately $12,500,000 in compensation charges as a result of the acceleration. During the quarter ended July 31, 2000, stock options issued to certain officers and employees of IDT were modified and as a result, Net2Phone recorded $18,300,000 in compensation charges.

Net2Phone Series A Stock

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

Stock Buyback Program

During the year ended July 31, 2000, the Board of Directors of the Company authorized the repurchase of up to twenty million shares of the Company's common stock. In October 2000, the Board of Directors authorized a further increase in the share repurchase program to 25 million shares. During fiscal 2001, the Company repurchased 8.0 million shares, for an aggregate purchase price of $135,849,000. Combined with 6.3 million shares purchased during Fiscal 2000, the

Company has repurchased a total of approximately 14.3 million shares of common stock through the end of Fiscal 2001. In addition, the Company has repurchased 1.4 million common shares during the first quarter of Fiscal 2002.

Liberty Media Transaction

On March 27, 2000, Liberty Media agreed to purchase approximately 9.9% of the equity of IDT, equal to approximately 7,550,000 shares of IDT's common stock and exchangeable for shares of Class B common stock. On June 6, 2000, Liberty Media completed the purchase of 7,457,898 shares of IDT's common stock at $17.25 per share, resulting in aggregate cash consideration of approximately $128,648,000. Liberty Media also has the right to nominate a director for election to the IDT Board of Directors.

AT&T Transaction

In March 2000, the Company was granted the option to sell AT&T 4,081,632 shares of its Class B common stock for approximately $74,787,000. In March 2001, the Company exercised this option.

Hicks Muse Tate & First Transaction

In June 2001, the Company issued stock options to Hicks, Muse, Tate & Furst Incorporated ("HMTF") to purchase up to 2,200,000 shares of the Company's Class B common stock at exercise prices ranging from $11.25 to $15.00 per share, as defined. The stock options are exercisable on the first anniversary of the agreement, and expire on the fifth anniversary date. In consideration for the stock options issued to HMTF, the Company received $2,000,000 in cash.

IDT Charitable Foundation

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

In July 2001, the Company funded the Foundation with 2.2 million shares of Class B common stock worth approximately $26,378,000 million at that time.

Net2Phone Summary Financial Information

Summary financial information for Net2Phone as of July 31, 2000 is as follows:

($'s in thousands):

Current assets	$	156,023
Total assets	$	411,728
Working capital	$	106,372
Revenue	$	72,401
Operating loss	$	(128,513)

8. Commitments and Contingencies

Legal Proceedings

On February 15, 2000, Multi-Tech Systems, Inc. filed suit against Net2Phone, Inc. and other companies in the United States Federal District Court in Minneapolis, Minnesota. In its press release, Multi-Tech stated that "the defendant companies are infringing because they are providing the end users with the software necessary to simultaneously transmit voice and data on their computers in the form of making a phone call over the Internet." Net2Phone has defended the lawsuit vigorously. Net2Phone has filed an answer and discovery has now been completed. Trial of this matter is tentatively scheduled for August 1, 2002. In the interim, it is likely that various motions will be filed to limit the scope of the plaintiff's claims or to dismiss the action in its entirety. Net2Phone believes that the Multi-Tech claims are without merit. However, should a judge issue an injunction against Net2Phone requiring that they cease distributing Multi-Tech's software or providing Multi-Tech's software-based services, such an injunction could have a material adverse effect on Net2Phone's business operations, financial condition, results of operations and cash flows.

IDT filed a Complaint with the United States District Court for the District of New Jersey on January 29, 2001, against Telefonica S.A., Terra Networks, S.A., Terra Networks, U.S.A., Inc. and Lycos, Inc. The complaint asserts claims against the defendants for, among other things, breaches of various contracts, breach of fiduciary duty, securities violations, fraudulent misrepresentation, negligent misrepresentation, fraudulent concealment and tortious interference with prospective economic advantage. The defendants have been served with the complaint. IDT has filed an amended complaint and the defendants have filed an answer to the amended complaint. Terra Networks, S.A., has filed a Counterclaim for breach of contract alleging that IDT was required to pay to Terra Networks, S.A. $3,000,000, and that IDT has allegedly failed to do so. The Defendants have filed a Motion to Dismiss the Complaint. On September 14, 2001, the Court issued an Order: (a) permitting IDT to take discovery relevant to the subject of whether Telefonica is subject to personal jurisdiction, (b) denying Telefonica's motion to dismiss for lack of personal jurisdiction without prejudice to Telefonica's right to renew the motion upon the completion of jurisdictional discovery, and (c) carrying on the calendar defendants' motion to dismiss on non-jurisdictional grounds pending the completion of jurisdictional discovery.

On May 25, 2001, IDT filed a Statement of Claim with the American Arbitration Association naming Telefonica Internacional, S.A. ("Telefonica") as the Respondent. The Statement of Claim asserts that IDT and Telefonica entered into a Memorandum of Understanding ("MOU") that involved, among other things, the construction and operation of a submarine cable network around South America ("SAm-I"). IDT is claiming, among other things, that Telefonica breached the MOU by: (1) failing to negotiate SAm-I agreements; (2) refusing to comply with the equity provisions of the MOU; (3) refusing to sell capacity and back-haul capacity pursuant to the MOU; and (4) failing to follow through on the joint venture. In addition to IDT's request that Telefonica comply with the terms of the MOU, IDT is alleging that it has been damaged in amounts not less than: (1) $1.15 billion for claim number 1 above; (2) $1.15 billion for claim number 2 above; (3) $100 million for claim number 3 above; and (4) $750 million for claim number 4 above. Telefonica has responded to IDT's Statement of Claims and has filed a Statement of Counterclaim which alleges, inter alia: (1) Fraud in the Inducement; (2) Tortious Interference with Prospective Business Relations; (3) Breach of the Obligations of Good Faith and Fair Dealing; and (4) Declaratory and Injunctive Relief. This action is currently in the early stages of discovery.

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

Lease Obligations

The future minimum payments for all capital and operating leases as of July 31, 2001 are approximately as follows:

	Operating Leases	Capital Leases
	(In thousands)	
Year ending July 31:		
2002	$ 9,595	$ 21,386
2003	8,527	21,710
2004	8,042	15,557
2005	7,780	10,212
2006	6,920	8,179
Thereafter	93,331	--
Total payments	$ 134,195	77,044
Less amount representing interest		(8,975)
Less current portion		(18,270)
Capital lease obligations--long-term portion		$ 49,799

Rental expense under operating leases was approximately $2,821,000, $6,857,000 and $4,857,000 for the years ended July 31, 1999, 2000 and 2001, respectively.

Commitments

The Company has entered into purchase commitments of approximately $31,000,000, primarily related to connectivity agreements.

9. Business Segment Information

Based principally on products and services provided, the Company has identified five reportable business segments: Wholesale Telecommunications Services, Retail Telecommunications Services, Internet Services, Internet Telephony, and Ventures The operating results of these business segments are distinguishable, are regularly reviewed by Company management and are integral to their decision making process.

The Wholesale Telecommunications Services business segment is comprised of wholesale carrier services sold to other U.S. and international carriers. The Retail Telecommunications Services business segment includes prepaid and rechargeable calling cards, international retail services and domestic long distance services. The Internet Services business segment includes dial-up access services and direct connect dedicated service. The Internet Telephony business segment reflects the results of the Company's formerly majority-owned subsidiary, Net2Phone, prior to the elimination of minority interests. The Ventures business segment, new for the fiscal year ended July 31, 2000, includes new industries explored by the Company, such as CTM Brochure Display, Inc.

The Company evaluates the performance of its business segments based primarily on operating income after depreciation and amortization but prior to interest expense and income taxes. All corporate overhead is allocated to the business segments based on time and usage studies, except for certain specific corporate transactions that are not associated with the operations of the business segments. Operating results and other financial data presented for the principal business segments of the Company for the years ended July 31, 1999, 2000 and 2001 are as follows (in thousands):

	Wholesale Telecommunications Services	Retail Telecommunications Services	Internet Services	Internet Telephony	Ventures	Corporate	Total
Year ended July 31, 1999							
Total segment revenue	$ 301,413	$ 395,542	$ 17,882	$ 33,256	$ --	$ --	$ 748,093
Less revenue between segments	(12,383)	--	(948)	(2,578)	--	--	(15,909)
Total unaffiliated revenue	289,030	395,542	16,934	30,678	--	--	732,184
Income (loss) from operations	12,596	12,283	(8,197)	(24,408)	--	--	(7,726)
Depreciation and amortization	14,120	15,275	4,699	2,266	--	--	36,360
Year ended July 31, 2000							
Total segment revenue	549,213	504,594	13,768	72,401	1,639	--	1,141,615
Less revenues between segments	(28,695)	(2,082)	(600)	(16,326)	--	--	(47,703)
Total unaffiliated revenue	520,518	502,512	13,168	56,075	1,639	--	1,093,912
Income (loss) from operations	(11,458)	(33,877)	(18,112)	(125,865)	(27,299)	--	(216,611)
Depreciation and amortization	18,407	17,771	5,285	6,804	297	--	48,564
Total assets	431,659	358,656	13,145	403,202	12,393	--	1,219,055
Year ended July 31, 2001							
Total segment revenue	388,120	816,384	9,876	--	16,570	--	1,230,950
Less revenues between segments	--	--	--	--	--	--	--
Total unaffiliated revenue	388,120	816,384	9,876	--	16,570	--	1,230,950
Income (loss) from operations	(68,289)	(58,082)	(29,949)	--	(253,502)	(32,888)	(432,710)
Depreciation and amortization	24,542	27,937	4,396	--	3,476	--	60,351
Total assets	$ 535,776	$ 1,066,402	$ 14,587	$ --	$ 264,573	$ --	$ 1,881,338

Revenue from customers located outside of the United States represented approximately 13%, 17% and 16% of total revenue for the years ended July 31, 1999, 2000 and 2001, respectively, with no single foreign geographic area representing more than 10% of total revenues for the years ended July 31, 1999 and 2000 and Western Europe representing approximately 15% of total revenues for the year ended July 31, 2001. Revenues are attributed to countries based on the location of the customer. Long-lived assets held outside of the United States totaled approximately $24,400,000 and $88,800,000 as of July 31, 2000 and 2001, respectively.

As a result of the Company's gradual exit from the dial-up Internet access service business, including the sale of the majority of its dial-up Internet access customers, the Company recorded an impairment charge of approximately $5,957,000 during the year ended July 31, 2001 for the write-down of certain Internet Services segment fixed assets, primarily relating to equipment previously used to provide dial-up Internet access services.

10. Additional Financial Information

Trade accounts payable includes approximately $96,215,000 and $112,918,000 due to telecommunication carriers at July 31, 2000 and 2001, respectively.

11. Acquisitions

CTM Brochure Display, Inc.

On June 30, 2000, the Company acquired a 100% interest in CTM Brochure Display, Inc. ("CTM"), a brochure distribution company, for an aggregate purchase price of approximately $23,800,000. The purchase price consisted primarily of $5,100,000 in cash, $16,942,000 in notes payable to the former owners and the liquidation of $1,400,000 of CTM's bank debt. In connection with the transaction, the Company recorded goodwill of $23,000,000 which is being amortized over 20 years and tax liabilities of $3,000,000. The acquisition was accounted for as a purchase, and accordingly, the net assets and results of operations of the acquired business have been included in the consolidated financial statements from the date of acquisition. During the year ended July 31, 2001, the Company repaid the entire principal balance on the notes payable, together with accrued interest.

Aplio, S.A.

On July 7, 2000, Net2Phone acquired all of the outstanding capital stock of Aplio, S.A ("Aplio"), a company located in France with technology that enables VoIP devices. Consideration consisted of $2,900,000 in cash at closing, 582,749 shares of Net2Phone's common stock which were valued at $35.50 per share, issuance of promissory notes aggregating $6,500,000, $1,100,000 in acquisition related costs and $4,800,000 in cash to be paid within eighteen months of the closing of the transaction.

As collateral for the $4,800,000 payment, Net2Phone has acquired 152,390 shares of its common stock in escrow. The aggregate purchase price of $36,000,000 plus the fair value of net liabilities assumed of $2,700,000 totaled approximately $38,700,000 which was allocated as follows: approximately $17,500,000 to goodwill, $20,700,000 to core technology and patents and $500,000 to assembled workforce.

The acquisition was accounted for as a purchase by Net2phone, and accordingly, the net assets and results of operations of the acquired business was included in the consolidated financial statements through August 2000.

PT-1 Communications

In February 2001, the Company purchased certain assets of PT-1 Communications, Inc. ("PT-1"), a wholly-owned subsidiary of STAR Telecommunications, Inc., relating to its prepaid card business with a payment of cash and assumption of certain liabilities, including the obligation to honor the outstanding phone cards of PT-1. The cash payment and assumption of net liabilities incurred were approximately $26,300,000 with substantially all of the purchase price recorded as goodwill and being amortized over a period of 20 years.

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

In April 2001, through its IDT Investments Inc. subsidiary ("IDT Investments") the Company acquired from Liberty Media 21,436,689 shares of Teligent, Inc. ("Teligent"), as well as an interest in ICG Communications, Inc. ("ICG"), represented by 50,000 shares of ICG's A-3 Preferred Stock and warrants to purchase 6,666,667 ICG common shares. In exchange, IDT Investments issued Liberty Media a total of 10,000 shares of its Class B Common Stock and 40,000 shares of its Preferred Class A stock. Upon completing the transaction, IDT effectively owned approximately 29% of the equity of Teligent, and approximately 40% of the equity of ICG.

In May 2001, through its IDT Investments subsidiary, the Company entered into an agreement with various affiliates of HMTF to increase IDT's strategic investments in Teligent and ICG. Under the terms of the agreement, the HMTF affiliates received 18,195 shares of IDT Investments' Series B Convertible Preferred Stock in exchange for the HMTF affiliates' stakes in Teligent and ICG. The HMTF affiliates owned 219,998 shares of Teligent's Series A Convertible Preferred Stock, 23,000 shares of ICG's 8% Series A-2 Convertible Preferred Stock and warrants to purchase 3,066,667 shares of ICG's common stock. The share of the equity losses recorded by IDT subsequent to all of the above Teligent and ICG transactions have eliminated the carrying value of the investments in these companies.

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

12. Earnings Per Share

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

	Year ended July 31 1999	2000	2001
	(In thousands)		
Numerator:			
Net income (loss)	$(18,204)	$230,850	$532,359
Subsidiary redeemable preferred stock dividends	(26,297)	--	--
Net income (loss) attributable to common stockholders	$(44,501)	$230,850	$532,359
Denominator:			
Weighted-average number of shares outstanding--Basic	67,060	69,933	68,301
Effect of stock options	--	5,306	6,485
Weighted-average number of shares outstanding--Diluted	67,060	75,239	74,786
Basic earnings (loss) per share	$ (0.66)	$ 3.30	$ 7.79
Diluted earnings (loss) per share	(0.66)	3.07	7.12

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

	Year ended July 31		
	1999	2000	2001
Stock options:	3,587,966	449,500	1,163,500

13. Net2Phone Subsidiary Stock Sales

During the year ended July 31, 2000, the Company recognized approximately $350,344,000 in gains, including gain on sales of subsidiary stock related to Net2Phone stock sales as follows:

On August 3, 1999, Net2Phone completed an initial public offering of 6,210,000 shares of common stock at an initial public offering price of $15.00 per share, resulting in net proceeds of approximately $85,300,000. Upon completion of the initial public offering, 3,140,000 shares of Net2Phone Series A Preferred Stock were converted into 9,420,000 shares of Net2Phone Class A Stock. As a result of the initial public offering and concurrent conversion of Series A Stock to Class A stock, the Company's ownership percentage in Net2Phone decreased from approximately 90.0% to approximately 56.2%. In connection with such offering, the Company recorded a gain on sale of stock by a subsidiary of approximately $65,464,000. Such gain is included in gain on sales of subsidiary stock for the year ended July 31, 2000. Deferred taxes of $26,200,000 have been provided on the gain.

In December 1999, Net2Phone completed a secondary offering of 6,300,000 shares of common stock at a price of $55.00 per share. In connection with this offering, IDT also sold 2,200,000 shares of Net2Phone common stock at $55.00 per share. Proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses were approximately $292,800,000. The Company's ownership interest in Net2Phone before and after these transactions decreased from 56.2% to 47.97%. The Company recorded gains on sales of stock of approximately $182,594,000 in connection with these offerings. Such gains are included in gain on sales of subsidiary stock for the year ended July 31, 2000. Deferred taxes of approximately $30,700,000 have been provided for these gains.

In March 2000, the Company acquired 806,452 shares of Yahoo! Inc. in exchange for 2,777,778 shares of Net2Phone common stock at a then equivalent market value of approximately $150,000,000. In connection with this transaction, the Company recorded a gain on sale of subsidiary stock of $102,286,000.

14. TyCom Settlement

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

Under the terms of the settlement, TyCom granted to IDT Europe B.V.B.A. ("IDT Europe"), free of charge, certain exclusive rights to use capacity on the transatlantic and transpacific segments of TyCom's global undersea fiber optic network (the "TyCom Global Network"), which TyCom is currently deploying. The settlement agreement provides for IDT Europe to obtain exclusive indefeasible rights to use two 10 Gb/s wavelengths on the transatlantic segment and two 10 Gb/s wavelengths on the transpacific segment for fifteen years from the applicable Handover Dates ("IRU") (as described below). TyCom previously announced that it expects the TyCom transatlantic network to be ready for service in September 2001, and the TyCom transpacific network to be ready for service in the second quarter of 2002, the respective "Ready for Service Dates." Under the terms of the settlement agreement, the Handover Dates for the wavelengths on the transatlantic segment are nine months (for the first wavelength) and 18 months (for the second wavelength), respectively, after the Ready for Service Date of the TyCom transatlantic network; and the Handover Date for the wavelengths on the transpacific segment are nine months (for the first wavelength) and 18 months (for the second wavelength), respectively, after the Ready for Service Date of the TyCom transpacific network.

Operation, administration and maintenance for the wavelengths used by the Company will be provided by TyCom for a fifteen year period after the relevant Handover Date, free of charge. TyCom has also granted the Company certain rights to resell any unused capacity on the wavelengths through TyCom as its sole and exclusive agent. In addition, the Company will also have the option, exercisable at least annually, to convert the available capacity on its wavelengths to available equivalent capacity on another portion of the TyCom Global Network. In recognition of the settlement, a gain of $313,486,000 was included as a component of "Other income" in the second quarter of Fiscal 2001. Due to a significant decline in IRU pricing and on demand for bandwidth capacity, the Company subsequently re-evaluated the recoverability of the carrying value of its IRU in accordance with SFAS No. 121 and as a result, the Company has recorded an impairment loss of $193,400,000 in the fourth quarter of Fiscal 2001 to reflect the asset's fair value.

16. Subsequent Events

On October 23, 2001 IDT entered into an agreement to lead a consortium that would concentrate ownership of approximately 50% (64% of the voting power) of Net2Phone. The consortium consists of IDT, Liberty Media, and AT&T, resulting in significant economic stakes in Net2Phone for all three parties. As part of the agreement, IDT and AT&T contributed their shares of Net2Phone (approximately 10.0 million and 18.9 million shares, respectively) to a newly formed Limited Liability Company (LLC). Liberty then acquired a susbtantial portion of the LLC's units from AT&T, while IDT increased its stake and AT&T retained a significant interest. IDT will be the managing member of th LLC.

IDT CORPORATION

FINANCIAL STATEMENT SCHEDULE--VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
1999				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts....	$ 6,255,000	$ 5,558,000	$ (4,170,000)	$ 7,643,000
2000				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts....	7,643,000	20,154,000	(1,026,000)	26,771,000
2001				
Reserves deducted from accounts receivable:				
Allowance for doubtful accounts....	26,771,000	32,873,000	(37,136,000)	22,508,000

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

Exhibit 8

Management Biographies

Directors and Executive Officers

The current directors and executive officers of IDT Corporation are as follows:[1]

Name	Position
Howard S. Jonas	Treasurer and Chairman of the Board
James A. Courter	Chief Executive Officer and Vice Chairman of the Board
Ira A. Greenstein	President
Michael Fischberger	Chief Operating Officer and Director
Stephen R. Brown	Chief Financial Officer and Director
Joyce J. Mason	Senior Vice President, General Counsel, Secretary and Director
Marc E. Knoller	Senior Vice President and Director
Moshe Kaganoff	Executive Vice President of Strategic Planning and Director
Geoffrey Rochwarger	Executive Vice President of Telecommunications and Director
Morris Lichtenstein	Executive Vice President of Business Development
Charles Garner	Executive Vice President of New Ventures
Jonathan Levy	Executive Vice President of Corporate Development
Meyer A. Berman	Director
J. Warren Blaker	Director
Saul K. Fenster	Director
Admiral William Owens	Director
William F. Weld	Director
Paul Reichmann	Director
Michael J. Levitt	Director

[1] Excludes Denis Bovin, a current Director who is not standing for re-election.

Biographical Data

Set forth below is biographical information with respect to IDT Corporation's management.

Howard S. Jonas founded IDT in August 1990 and has served as Chairman of the Board and treasurer since its inception. Mr. Jonas served as Chief Executive Officer of IDT Corporation from December 1991 until the Restructuring and as President of IDT Corporation from December 1991 through September 1996. Since the Restructuring, Mr. Jonas has also served as the Chairman of the Boards of Directors of IDT Telecom, Inc. and IDT Ventures, Inc. Mr. Jonas is also the founder and has been President of Jonas Publishing Corp. ("Jonas Publishing"), a publisher of trade directories, since its inception in 1979. Mr. Jonas became the Chairman of the Board of Directors of Net2Phone, Inc. in October 2001. Mr. Jonas received a B.A. in Economics from Harvard University. 5

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

Ira A. Greenstein joined IDT Corporation in January 2000 and served as Counsel to the Chairman until the Restructuring. Since the Restructuring, Mr. Greenstein has served as the President of IDT Corporation. Prior to joining IDT Corporation, Mr. Greenstein was a partner in the law firm of Morrison & Foerster LLP from February 1997 to November 1999 where he served as the Chair of that firm's New York Office Business Department. Concurrently, Mr. Greenstein served as General Counsel and Secretary of Net2Phone from January 1999 to November 1999. Prior to 1997, Mr. Greenstein was an associate in the New York and Toronto offices of Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Greenstein also served on the Securities Advisory Committee to the Ontario Securities Commission from 1992 to 1996. From 1991 to 1992, Mr. Greenstein also served as counsel to the Ontario Securities Commission. Mr. Greenstein serves on the Board of Overseers of Touro College. Mr. Greenstein received a B.S. from Cornell University and a J.D. from Columbia University Law School.

Michael Fischberger has served as Chief Operating Officer and has been a director of IDT Corporation since June 2001. Prior to his current position, Mr. Fischberger served as the Executive Vice President of Operations for IDT Corporation from January 2000 to June 2001. Mr. Fischberger also served as IDT Corporation's Senior Vice President of Domestic Telecommunications and Internet Services from 1993 to 2000. Since the Restructuring, Mr. Fischberger has also served as Executive Vice President of Operations for IDT Telecom, Inc. Mr. Fischberger is a director of Net2Phone, Inc.

Stephen R. Brown joined IDT Corporation as its Chief Financial Officer in May 1995 and has been a director of IDT Corporation since February 2000. 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 became a director of Net2Phone, Inc. in October 2001. Mr. Brown received a B.A. in Economics from Yeshiva University and a B.B.A. in Business and Accounting from Baruch College.

Joyce J. Mason is Secretary and Treasurer of Advanced Communication Services, LLC and all of its newly-formed Winstar subsidiaries, including Winstar Communications, LLC and its state operating subsidiaries. Ms. Mason has served as IDT Corporation's Senior Vice President since December

Biographical Data

1998and as General Counsel, Secretary and a director of IDT Corporation since its inception and as a director of IDT Corporation's predecessor since its inception to March 1996. Prior to joining IDT Corporation, Ms. Mason had been in private legal practice. Ms. Mason became a director of Net2Phone, Inc. in October 2001.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 has been a director of IDT Corporation since March 1996 and Senior Vice President since December 1998. Mr. Knoller joined IDT Corporation as a Vice President in March 1991 and also served as a director of its predecessor since such time. From 1988 until March 1991, Mr. Knoller was director of national sales for Jonas Publishing. Mr. Knoller has served as Vice President of Jonas Publishing from 1991 until the present. Mr. Knoller received a B.B.A. from Baruch College.

Moshe Kaganoff has served as IDT Corporation's Executive Vice President of Strategic Planning since January 2000 and has been a director of IDT Corporation since March 1999. From April 1994 through July 1998, Mr. Kaganoff served as IDT Corporation's Manager of Operations. Since the Restructuring, Mr. Kaganoff has also served as Executive Vice President of Strategic Planning for each of IDT Telecom, Inc. and IDT Ventures, Inc. Mr. Kaganoff holds a B.A. in Economics from Yeshiva University.

Geoffrey Rochwarger has served as IDT Corporation's Executive Vice President of Telecommunications since 1996 and has been a director of IDT Corporation since July 1999. Prior to his current position, he served IDT as the President of Genie, an online service company and a subsidiary of IDT, from 1995 until1996. Since the Restructuring, Mr. Rochwarger has also served as the Chief Operating Officer and a director of IDT Telecom, Inc. Prior to joining IDT, Mr. Rochwarger was the Operations Manager at Galaxy Freight Service LTD. Mr. Rochwarger holds a B.A. Degree in Economics from Yeshiva University.

Morris Lichtenstein has served as the Executive Vice President of Business Development since January 2000. From January 1999 to December 1999, Mr. Lichtenstein served as Controller for IDT Corporation. Since the Restructuring, Mr. Lichtenstein has also served as the Vice Chairman of the Board of Directors and Chief Executive Officer of IDT Telecom, Inc. During the period from 1988 to 1998, Mr. Lichtenstein served as the Controller of Mademoiselle Knitwear, Inc. Mr. Lichtenstein received his B.A. from Touro College.

Charles Garner is President and Chief Executive Officer of Advanced Communication Services, LLC and all of its newly-formed Winstar subsidiaries, including Winstar Communications, LLC and its state operating subsidiaries. Mr. Garner has served as the Executive Vice President of New Ventures since December 2000. From joining IDT Corporation in February 2000 until December 2000, Mr. Garner served as Senior Vice President of IDT Corporation. Since the Restructuring, Mr. Garner has also served as the Chief Executive Officer of IDT Ventures, Inc. Mr. Garner was also President of IDT's subsidiary, Brix Communications, from February 2000 until May 2000. Prior to joining IDT, Mr. Garner was a partner in the law firm of Simpson Thacher & Bartlett from 1996 through 1999 and an associate of Simpson Thacher & Bartlett from 1987. Mr. Garner received his B.A. from the University of Pennsylvania in 1984 and his law degree from New York University Law School in 1987.

Jonathan Levy has served as Executive Vice President of Corporate Development since November 2000. Mr. Levy also served as the Director of IDT's Fiber division from June 1998 through November 2000. From October 1995 through June 1998, Mr. Levy served as Senior Vice President of Telecom for IDT. Since the Restructuring, Mr. Levy has also served as the President of Carrier Services and a director of IDT Telecom, Inc. Prior to joining IDT, Mr. Levy was Operations Manager for B&H Photo, Inc. Mr. Levy holds a B.A. Degree in Finance from Touro College.

Biographical Data

Meyer A. Berman has been a director of IDT Corporation since March 1996. Mr. Berman founded M.A. Berman Co. in 1981, a broker-dealer that services high net worth individuals and institutions, and has served as its President from its inception. Prior to such time, Mr. Berman held various positions in the stock brokerage business. Mr. Berman is Chairman of the Board of Directors of BioSterile Technology, Inc., a leading company using Russian scientific technology. Mr. Berman has a B.A. degree from the University of Connecticut and has done graduate work at the University of Illinois and at City College of New York.

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

Saul K. Fenster has served as a director of IDT Corporation since February 2000.Dr. Fenster has been the President of New Jersey Institute of Technology since September 1978. Dr. Fenster serves as a director for each of the following Prudential Insurance Company funds: Prudential Mutual Fund Cluster 1 and 4,Prudential VCA Funds, Prudential Gibraltar Fund and Prudential Series Funds. Dr. Fenster received a B.M.E. from the City College of New York, an M.S. from Columbia University and a Ph.D. from the University of Michigan.

Admiral William Owens has served as a director of IDT Corporation since March 2000. Admiral Owens has served as Vice Chairman of the Board and Co-Chief Executive Officer of Teledesic LLC since August 1998. Prior to his current position, Admiral Owens was the President, Chief Operating Officer and Vice Chairman of the Board of Directors of Science Applications International Corporation from June 1996 to August 1998. In addition, Admiral Owens served as the Vice Chairman of the Joint Chiefs of Staff from 1994 to 1996. Admiral Owens received his B.S. from the United States Naval Academy, a B.A. and M.A. from Oxford University and an M.B.A. from George Washington University. Admiral Owens also serves as a director of Symantec, Polycom, Microvision, ViaSat and Biolase.

William F. Weld has served as a director of IDT Corporation since February 2000. Mr. Weld has been a principal at Leeds Weld & Co., a private equity investment firm, since January 2001. From 1997 to January 2001, Mr. Weld was a partner in the law firm of McDermott, Will & Emery and has served as Of Counsel to such firm since such date. From 1991 to 1997, Mr. Weld served as Governor of Massachusetts. Prior to becoming Governor, Mr. Weld served as Assistant U.S. Attorney General in charge of the Criminal Division of the United States Department of Justice in Washington, D.C. from 1986 to 1988. Mr. Weld also served as the United States Attorney for Massachusetts from 1981 to 1986. Mr. Weld also serves as a director of Affiliated Managers Group and Edison Schools, Inc. Mr. Weld received his B.A. from Harvard University, a diploma in international economics from Oxford University and his J.D. from Harvard Law School.

Paul Reichmann has been a director of IDT Corporation since March 2001. Mr. Reichmann has been involved in commercial real estate development for the last 40 years, originating many major commercial development projects and managing their construction, leasing and financing. Mr. Reichmann is the Executive Chairman of Canary Wharf Group, a publicly listed company on the London Stock Exchange, Chief Executive of the Reichmann Group of Companies which includes Reichmann International Development Corporation and International Property Corporation. Mr. Reichmann is also a Trustee of CPL Long Term Care Real Estate Investment Trust and Retirement Residences Real Estate Investment Trust.

Biographical Data

Michael J. Levitt has served as a director of IDT Corporation since September2001. Mr. Levitt is currently the Chairman of Ilios Capital, LLP. Prior to his current position, Mr. Levitt was a partner with Hicks, Muse, Tate & Furst Incorporated from 1996 until 2001. Mr. Levitt served as Managing Director and Deputy Head of Investment Banking with Smith Barney, Inc. from 1993 through1995. From 1986 through 1993, Mr. Levitt was a Managing Director with Morgan Stanley & Co. Mr. Levitt received his undergraduate and Juris Doctor degrees from the University of Michigan. He serves on the University of Michigan Business School Corporate Advisory Board and on the University of Michigan Investment Board.

Exhibit 9

12/21/01 Letter to Customers

winstar

December 19, 2001

Dear Valued Customer:

Today Winstar sold its telephony and data business and assets to IDT Corporation. This includes the assets that are used to provide service to you. This is very good news for our future and for you as a Winstar customer because it ensures the viability and future of our business.

IDT is a leading multinational carrier with strong financial resources, a national telecommunications backbone, and significant investments in several telecommunications and Internet companies. As a result of this latest investment, Winstar emerges in a strong financial position that enables us to not only continue to provide our existing services, but also deliver new offerings that will help your business be more efficient and productive.

I want to assure you that our day-to-day business continues as usual. Winstar's number one priority remains providing you with continuous, high quality service and support. We are excited about the prospects of this transaction and what it means for you.

The telecommunications industry has experienced unprecedented turmoil in 2001. I want to personally thank you for the continued support and loyalty you have displayed during this time. By joining forces with IDT, Winstar has solidified its financial position so that we may continue to stay focused on serving our customers as an even stronger Winstar.

Regards,

Robert McGuire
President & Chief Operating Officer
Winstar Sales and Service

P.S. Additional information is available at www.winstar.com. As always, if you have questions about your services, you can contact us at Winstar's National Customer Satisfaction Center, at (888) 961–8800.

Verifications

VERIFICATION

I, Charles H.F. Garner, state that I am President and Chief Executive Officer of Winstar Communications, LLC, the Applicant in the foregoing Application; that I am authorized to make this Verification on behalf of Winstar Communications, LLC; that the foregoing Application was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 16th day of January, 2002.

/s/

Name: Charles H.F. Garner

Title: President and Chief Executive Officer
Winstar Communications, LLC

VERIFICATION

I, Joseph M. Sandri, Jr., state that I am Senior Vice President and Regulatory Counsel of Winstar Wireless, Inc., the Applicant in the foregoing Application; that I am authorized to make this Verification on behalf of Winstar Wireless, Inc.; that the foregoing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 16th day of January, 2002.

/s/

Name: Joseph M. Sandri, Jr.
Title: Senior Vice President and Regulatory Counsel
Winstar Wireless, Inc.