

IDT CORP  
Form DEF 14A  
October 31, 2014

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

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

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

Check the appropriate box:

..

Preliminary Proxy Statement

..

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

Definitive Proxy Statement

..

Definitive Additional Materials

..

Soliciting Material under Rule 14a-12

**IDT Corporation**

**(Name of Registrant as Specified In Its Charter)**

Payment of Filing Fee (Check the appropriate box):

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No fee required.

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(1)

Title of each class of securities to which transaction applies:

(2)

Aggregate number of securities to which transactions applies:

(3)

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Fee paid previously with preliminary materials.

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(1)

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(3)

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Date Filed:

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Newark, New Jersey 07102  
(973) 438-1000

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

- TIME AND DATE:** 10:30 a.m., local time, on Monday, December 15, 2014
- PLACE:** Hampton Inn & Suites Newark Riverwalk Hotel, 100 Passaic Ave, Harrison, New Jersey 07029
- ITEMS OF BUSINESS:**
1. To elect five directors, each for a term of one year.
  2. To adopt the IDT Corporation 2015 Stock Option and Incentive Plan.
  3. To ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the Fiscal Year ending July 31, 2015.
  4. To transact other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.
- RECORD DATE:** You can vote if you were a stockholder of record on October 21, 2014.
- PROXY VOTING:** You can vote either in person at the Annual Meeting or by proxy without attending the meeting. See details under the heading "How do I Vote?"
- ANNUAL MEETING ADMISSION:** If you are a stockholder of record, a form of personal photo identification must be presented in order to be admitted to the Annual Meeting. If your shares are held in the name of a bank, broker or other holder of record, you must bring a brokerage statement or other written proof of ownership as of October 21, 2014 with you to the Annual Meeting, as well as a form of personal photo identification.
- ANNUAL MEETING DIRECTIONS:** You may request directions to the annual meeting via email at [invest@idt.net](mailto:invest@idt.net) or by calling IDT Investor Relations at (973) 438-3838.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
IDT CORPORATION STOCKHOLDERS MEETING TO BE HELD ON DECEMBER 15, 2014:  
The Notice of Annual Meeting and Proxy Statement and the 2014 Annual Report are available at:  
[www.idt.net/ir](http://www.idt.net/ir)**

BY ORDER OF THE BOARD OF DIRECTORS

Joyce Mason  
Executive Vice President, General Counsel and  
Corporate Secretary

Newark, New Jersey  
October 31, 2014

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**IDT CORPORATION**  
520 Broad Street  
Newark, New Jersey 07102

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**PROXY STATEMENT**

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**GENERAL INFORMATION**

**Introduction**

This Proxy Statement is furnished to the stockholders of record of IDT Corporation, a Delaware corporation (the **Company** or **IDT**) as of the close of business on October 21, 2014, in connection with the solicitation by the Company's Board of Directors (the **Board of Directors**) of proxies for use in voting at the Company's Annual Meeting of Stockholders (the **Annual Meeting**). The Annual Meeting will be held on Monday, December 15, 2014 at 10:30 a.m., local time, at the Hampton Inn & Suites Newark Riverwalk Hotel, 100 Passaic Ave, Harrison, New Jersey 07029. The shares of the Company's Class A common stock, par value \$0.01 per share (**Class A Common Stock**) and Class B common stock, par value \$0.01 per share (**Class B Common Stock**), present at the Annual Meeting or represented by the proxies received by telephone, Internet or mail (properly marked, dated and executed) and not revoked, will be voted at the Annual Meeting. This Proxy Statement is being mailed to the Company's stockholders starting on November 6, 2014.

**Solicitation and Voting Procedures**

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

The close of business on October 21, 2014 has been fixed as the record date (the **Record Date**) for determining the holders of shares of Class A Common Stock and Class B Common Stock entitled to notice of, and to vote at, the Annual Meeting. As of the close of business on the Record Date, the Company had 23,205,638 shares outstanding and entitled to vote at the Annual Meeting, consisting of 1,574,326 shares of Class A Common Stock and 21,631,312 shares of Class B Common Stock. The remaining shares issued, consisting of 1,698,000 shares of Class A Common Stock and 2,966,216 shares of Class B Common Stock, are beneficially owned by the Company, and are not entitled to vote or to be counted as present at the Annual Meeting for purposes of determining whether a quorum is present. The shares of stock owned by the Company will not be deemed to be outstanding for determining whether a majority of the votes cast have voted in favor of any proposal.

Stockholders are entitled to three votes for each share of Class A Common Stock held by them and one-tenth of one vote for each share of Class B Common Stock held by them. The holders of Class A Common Stock and Class B Common Stock will vote as a single body on all matters presented to the stockholders. There are no dissenters' rights of appraisal in connection with any proposal. Howard Jonas, the Chairman of the Board and holder of all of the Class A Common Stock, entered into a voting agreement with the Company, dated December 2, 2010, pursuant to which Howard Jonas agreed to refrain from voting any shares that Howard Jonas controls that represent more than 76.1% of the combined voting power of the Company's outstanding capital stock.

**How do I Vote?**

You can vote either in person at the Annual Meeting or by proxy without attending the meeting.

Beneficial holders of the Company's Class A Common Stock and Class B Common Stock as of the Record Date whose stock is held of record by another party should receive voting instructions from their bank, broker or other holder of record. If a stockholder's shares are held through a nominee and the stockholder wants to vote at the meeting, such stockholder must obtain a proxy from the nominee record holder authorizing such stockholder to vote at the Annual Meeting.

Stockholders of record should receive a paper copy of our proxy materials and may vote by following the instructions on the proxy card that is included with the proxy materials. As set forth on the proxy card, there are three convenient methods for holders of record to direct their vote by

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proxy without attending the Annual Meeting: by telephone, on the Internet or by mail. To vote by phone, call the toll-free telephone number on the proxy card (1-800-PROXIES), and to vote by Internet, visit [www.voteproxy.com](http://www.voteproxy.com). To vote by mail, mark, date and sign the enclosed proxy card and return it in the postage-paid envelope provided. Holders of record may also vote by attending the Annual Meeting and voting by ballot.

All shares for which a proxy has been duly executed and delivered (by telephone, Internet or mail) and not revoked will be voted at the Annual Meeting. If a stockholder of record signs and returns a proxy card but does not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board of Directors. If any other matters are properly presented at the Annual Meeting for consideration and if you have voted your shares by Internet, telephone, or mail, the persons named as proxies will have the discretion to vote on those matters for you. On the date of filing this Proxy Statement with the SEC, the Board of Directors did not know of any other matter to be raised at the Annual Meeting.

### **How Can I Change My Vote?**

A stockholder of record can revoke his, her or its proxy at any time before it is voted at the Annual Meeting by delivering to the Company (to the attention of Joyce J. Mason, Esq., Executive Vice President, General Counsel and Corporate Secretary) a written notice of revocation or by executing a later-dated proxy by telephone, Internet or mail, or by attending the Annual Meeting and voting in person.

If your shares are held in the name of a bank, broker, or other nominee, you must obtain a proxy executed in your favor from the holder of record (that is, your bank, broker, or nominee) to be able to vote at the Annual Meeting.

### **Quorum and Vote Required**

The presence at the Annual Meeting of a majority of the voting power of the Company's outstanding Class A Common Stock and Class B Common Stock (voting together), either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Abstention votes and any broker non-votes (i.e., votes withheld by brokers on non-routine proposals in the absence of instructions from beneficial owners) will be counted as present or represented at the Annual Meeting for purposes of determining whether a quorum exists.

The affirmative vote of a majority of the voting power present (in person or by proxy) at the Annual Meeting and casting a vote on a Proposal will be required for the approval of the election of any director (Proposal No. 1), the adoption of the 2015 Stock Option and Incentive Plan (Proposal No. 2), and the ratification of the appointment of the appointment of the Company's independent registered public accounting firm (Proposal No. 3). This means that the number of votes cast for a director nominee must exceed the number of votes cast against that nominee. Abstentions are not counted as votes for or against a nominee or any of these proposals.

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If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. This is called a broker non-vote. In these cases, the broker can register your shares as being present at the Annual Meeting for purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required under the rules of the New York Stock Exchange. In the event of a broker non-vote or an abstention with respect to any proposal coming before the Annual Meeting, the shares represented by the relevant proxy will not be deemed to be present and entitled to vote on those proposals for the purpose of determining the total number of shares of which a majority is required for adoption, having the practical effect of reducing the number of affirmative votes required to achieve a majority vote for such matters by reducing the total number of shares from which a majority is calculated.

If you are a beneficial owner whose shares are held of record by a broker, your broker has discretionary voting authority under NYSE rules to vote your shares on the ratification of the Company's independent registered public accounting firm (Proposal No. 3), even if the broker does not receive voting instructions from you. However, your broker does not have discretionary authority to vote on the election of directors (Proposal No. 1), the adoption of the 2015 Stock Option and Incentive Plan (Proposal No. 2), or on any stockholder proposal or other matter raised at the Annual Meeting without instructions from you, in which case a broker non-vote will occur and your shares will not be voted on these matters.

### **How Many Votes Are Required to Approve Other Matters?**

Unless otherwise required by law or the Company's Bylaws, the affirmative vote of a majority of the voting power represented at the Annual Meeting and entitled to vote will be required for other matters that may properly come before the meeting.

### **Stockholders Sharing the Same Address**

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

#### References to Fiscal Years

The Company's fiscal year ends on July 31 of each calendar year. Each reference to a Fiscal Year refers to the Fiscal Year ending in the calendar year indicated (e.g., Fiscal 2014 refers to the Fiscal Year ended July 31, 2014).

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## CORPORATE GOVERNANCE

### Introduction

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

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

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

### Director Independence

The Corporate Governance Guidelines adopted by the Board of Directors provide that a majority of the members of the Board of Directors, and each member of the Audit, Compensation and Corporate Governance Committees, must meet the independence requirements set forth therein. The full text of the Corporate Governance Guidelines, including the independence requirements, is available for your review in the Governance section of our website at <http://ir.idt.net/Governance>. For a director to be considered independent, the Board of Directors must determine that a director meets the Independent Director Qualification Standards set forth in the Corporate Governance Guidelines, which comply with the New York Stock Exchange definitions of independent, and is free from any material relationship with the Company and its executive officers. The Board of Directors considers all relevant facts and circumstances known to it in making an independence determination, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation or significant financial interest. In addition to considering all relevant information available to it, the Board of Directors uses the following categorical Independent Director Qualification Standards in determining the independence of its directors:

1. During the past three years, the Company shall not have employed the director, or, except in a non-officer capacity, any of the director's immediate family members;

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2. During the past three years, the director shall not have received, and shall not have an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

3. (a) The director shall not be a current partner or employee of a firm that is the Company's internal or external auditor, (b) the director shall not have an immediate family member who is a current partner of such firm, (c) the director shall not have an immediate family member who is a current employee of such firm and personally works on the Company's audit, and (d) neither the director nor any of his or her immediate family members shall have been, within the last three years, a partner or employee of such firm and personally worked on the Company's audit within that time;

4. Neither the director, nor any of his or her immediate family members, shall be, or shall have been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation (or equivalent) committee; and

5. The director shall not be a current employee and shall not have an immediate family member who is a current executive officer of a company (excluding tax exempt organizations) that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three Fiscal Years, exceeds the greater of (a) \$1 million or (b) two percent of the consolidated gross revenues of such other company. The Corporate Governance Committee will review the materiality of such relationship to tax exempt organizations to determine if such director qualifies as independent.

Based on the review and recommendation of the Corporate Governance Committee, the Board of Directors has determined that each of Michael Chenkin, Eric Cosentino, and Judah Schorr is independent in accordance with the Corporate Governance Guidelines and, thus, that a majority of the current Board of Directors, a majority of the director nominees, and each member or nominee intended to become a member of the Audit, Compensation and Corporate Governance Committees is independent. As used herein, the term "non-employee director" shall mean any director who is not an employee or consultant of the Company, and who is deemed to be independent by the Board of Directors. Therefore, neither Howard Jonas nor Bill Pereira is a non-employee director. None of the non-employee directors had any relationships with the Company that the Corporate Governance Committee was required to consider when reviewing independence.

#### **Director Selection Process**

The Nominating Committee will consider director candidates recommended by the Company's stockholders. Stockholders may recommend director candidates by contacting the Chairman of the Board as provided under the heading "Director Communications." The Nominating Committee considers candidates suggested by its members, other directors, senior management and stockholders in anticipation of upcoming elections and actual or expected board vacancies. All candidates, including those recommended by stockholders, are evaluated on the same basis in light of the entirety of their credentials and the needs of the Board of Directors and the Company. Of particular importance is the candidate's wisdom, integrity, ability to make independent analytical inquiries, understanding of the business environment in which the Company operates, as well as his or her potential contribution to the diversity of the Board of Directors and his or her willingness to devote adequate time to fulfill duties as a director. Under "Proposal No. 1 Election of Directors" below, we provide an overview of each nominee's experience, qualifications, attributes and skills that led the Nominating Committee and the Board of Directors to determine that each nominee should serve as a Director.

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#### **Director Communications**

Stockholders and other interested parties may communicate with: (i) the Board of Directors, by contacting the Chairman of the Board; (ii) the non-employee directors, by contacting the Lead Independent Director (currently Eric Cosentino); and (iii) the Audit, Compensation, Corporate Governance or Nominating Committees of the Board of Directors, by contacting the respective chairmen of such committees. All communications should be in writing, should indicate in the address whether the communication is intended for the Lead Independent Director,



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the Chairman of the Board, or a Committee Chairman, and should be directed care of IDT Corporation's Corporate Secretary, Joyce J. Mason, Esq., Stockholder Communications, IDT Corporation, 520 Broad Street, Newark, New Jersey 07102.

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

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

- n Obscene materials;
- n Unsolicited marketing or advertising material or mass mailings;
- n Unsolicited newsletters, newspapers, magazines, books and publications;
- n Surveys and questionnaires;
- n Resumes and other forms of job inquiries;
- n Requests for business contacts or referrals;
- n Material that is threatening or illegal; or
- n Any communications or materials that are not in writing.
- n In addition, the Corporate Secretary may handle in her discretion any director communication that can be described as an ordinary business matter. Such matters include the following:
  - n Routine questions, service and product complaints and comments that can be appropriately addressed by management; and
  - n Routine invoices, bills, account statements and related communications that can be appropriately addressed by management.

## BOARD OF DIRECTORS AND COMMITTEES

### Board of Directors

The Board of Directors held 11 meetings in Fiscal 2014. In Fiscal 2014, each of the Company's directors attended or participated in 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors held during the period in which each such director served as a director and (ii) the total number of meetings held by all committees of the Board of Directors during the period in which each such director served on such committees.

Directors are encouraged to attend the Company's annual meeting of stockholders, and the Company generally schedules a meeting of the Board of Directors on the same date and at the same place as the annual meeting of stockholders to encourage director attendance. All of the members constituting the current Board of Directors attended the 2013 annual meeting of stockholders.

### Board of Directors Leadership Structure and Risk Oversight Role

From October 2009 through December 2013, Howard Jonas served as Chief Executive Officer, in addition to his role as Chairman of the Board. The Board of Directors' decision to retain Howard Jonas as Chief Executive Officer was based on Howard Jonas' leadership skills and his knowledge of the Company's businesses since its inception and the value he brought to the Company in serving in both capacities. As Chairman of the Board, Howard Jonas provides overall leadership to the Board of Directors in its oversight function while, as Chief Executive Officer, he provided leadership in respect to the day-to-day management and operation of the Company's businesses. On January 1, 2014, Shmuel Jonas, who was the Company's Chief Operating Officer from June 2010 through December 2013, was elected as Chief Executive Officer of the Company. Howard Jonas remains Chairman of the Board and continues to provide overall leadership to the Board of Directors in its oversight function. The risk management oversight roles of the Audit, Compensation and Corporate Governance Committees discussed below, which are comprised solely of independent directors, provide an appropriate and effective balance to the Chairman of the Board role.

Section 303A.03 of the New York Stock Exchange Listed Company Manual requires that the non-employee directors of the Company meet without management at regularly scheduled executive sessions. These executive sessions are held at every regularly scheduled meeting of the Board of Directors. Eric F. Cosentino, an independent director and the Lead Independent Director, serves as the presiding director of these executive sessions and has served in that capacity since December 17, 2009. The Board of Directors determined that the role of Lead Independent Director was important to maintain a well-functioning Board of Directors that objectively assesses management's proposals.

The Board of Directors and each of its committees conduct annual self-assessments in executive sessions to review and monitor their respective continued effectiveness.

The Board of Directors as a whole, and through its committees, has responsibility for the oversight of risk management, including the review of the policies with respect to risk management and risk assessment. With the oversight of the full Board of Directors, the Company's senior management is responsible for the day-to-day management of the material risks the Company faces. The Board of Directors is required to satisfy itself that the risk management process implemented by management is adequate and functioning as designed.

Each of the Audit, Compensation and Corporate Governance Committees oversees certain aspects of risk management and reports its respective findings to the full Board of Directors on a quarterly basis, and as is otherwise needed. The Audit Committee is responsible for overseeing risk management of financial matters, financial reporting, the adequacy of the risk-related internal controls, internal investigations, and security risks, generally. The Compensation Committee oversees risks related to compensation policies and practices. The Corporate Governance Committee oversees our Corporate Governance Guidelines and governance-related risks, such as board independence, as well as senior management succession planning.

## **Board Committees**

The Board of Directors has established an Audit Committee, a Compensation Committee, a Corporate Governance Committee and a Nominating Committee.

### **The Audit Committee**

The Audit Committee is responsible for, among other things, the appointment, compensation, removal and oversight of the work of the Company's independent registered public accounting firm. The Audit Committee also oversees management's performance of its responsibility for the integrity of the Company's accounting and financial reporting and its systems of internal controls, the performance of the Company's internal audit function and the Company's compliance with legal and regulatory requirements. The Audit Committee operates under a written Audit Committee charter adopted by the Board of Directors, which can be found in the Governance section of our web site, <http://ir.idt.net/Governance>, and is also available in print to any stockholder upon request to the Corporate Secretary. The Audit Committee consists of Messrs. Chenkin (Chairman), Cosentino and Schorr. The Audit Committee held 8 meetings during Fiscal 2014. The Board of Directors has determined that (i) all of the members of the Audit Committee are independent within the meaning of the Section 303A.07(b) and Section 303A.02 of the New York Stock Exchange Listed Company Manual and Rule 10A-3(b) under the Securities Exchange Act of 1934, and (ii) that Mr. Chenkin qualifies as an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K.

### **The Compensation Committee**

The Compensation Committee is responsible for, among other things, reviewing, evaluating and approving all compensation arrangements for the executive officers of the Company, evaluating the performance of executive officers, administering the Company's 2005 Stock Option and Incentive Plan, as amended and restated (the 2005 Plan), and, its predecessor, the 1996 Stock Option and Incentive Plan, as amended and restated, and recommending to the Board of Directors the compensation for Board members, such as retainers, committee and other fees, stock

option, restricted stock and other stock awards, and other similar compensation as deemed appropriate. The Compensation Committee confers with the Company's executive officers when making the above determinations. The Compensation Committee currently consists of Messrs. Cosentino (Chairman), Chenkin and Schorr. The Compensation Committee held 8 meetings during Fiscal 2014. The Compensation Committee operates under a written charter adopted by the Board of Directors, which can be found in the Governance section of our web site, <http://ir.idt.net/Governance>, and which is also available in print to any stockholder upon request to the Corporate Secretary. The Board of Directors has determined that all of the members of the Compensation Committee are independent within the meaning of Section 303A.02 of the New York Stock Exchange Listed Company Manual and the categorical standards set forth above.

The Compensation Committee adopts Company-wide goals and objectives for the fiscal year to be used as a guide when determining annual bonus payments to executive officers after the end of the fiscal year. The Compensation Committee reviews the performance of the Company relative to those goals and objectives, and the contribution of each executive officer to such performance at the end of the fiscal year and considers them as some of the factors when determining the amounts of annual bonuses to be awarded to executive officers.

#### **Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Committee have served as an officer or employee of the Company or have any relationship with the Company that is required to be disclosed under the heading Related Person Transactions. No executive officer of the Company served or serves on the compensation committee or board of any company that employed or employs any member of the Company's Compensation Committee or Board of Directors.

#### **The Corporate Governance Committee**

The Corporate Governance Committee is responsible for, among other things, reviewing and reporting to the Board of Directors on matters involving relationships among the Board of Directors, the stockholders and senior management. The Corporate Governance Committee (i) reviews the Corporate Governance Guidelines and other policies and governing documents of the Company and recommends revisions as appropriate, (ii) reviews any potential conflicts of interest of independent directors, (iii) reviews and monitors related person transactions, (iv) oversees the self-evaluations of the Board of Directors, the Audit Committee and the Compensation Committee and (v) reviews and determines director independence, and makes recommendations to the Board of Directors regarding director independence. The Corporate Governance Committee currently consists of Messrs. Cosentino (Chairman), Chenkin and Schorr. The Corporate Governance Committee held 6 meetings in Fiscal 2014. The Corporate Governance Committee operates under a written charter adopted by the Board of Directors, which can be found in the Governance section of our web site, <http://ir.idt.net/Governance>, and which is also available in print to any stockholder upon request to the Corporate Secretary. The Board of Directors has determined that all of the members of the Corporate Governance Committee are independent within the meaning of Section 303A.02 of the New York Stock Exchange Listed Company Manual and the categorical standards set forth above.

#### **The Nominating Committee**

The Nominating Committee is responsible for overseeing nominations to the Board of Directors, including: (i) developing the criteria and qualifications for membership on the Board of Directors, (ii) recommending candidates to fill new or vacant positions on the Board of Directors, and (iii) conducting appropriate inquiries into the backgrounds of potential candidates. A summary of new director qualifications can be found under the heading Director Selection Process. The Nominating Committee currently consists of Howard S. Jonas (Chairman) and Eric Cosentino. The Board of Directors has determined that Eric Cosentino is independent in accordance with Section 303A.04 of the New York Stock Exchange Listed Company Manual. Howard Jonas is not independent. The Company, as a controlled company, is exempt from the requirement to maintain an independent nominating committee pursuant to Section 303A.00 of the New York Stock Exchange Listed Company Manual. The Nominating Committee operates under a written charter adopted by the Board of Directors, which can be found in the Governance section of our web site, <http://ir.idt.net/Governance>, and which is also available in print to any stockholder upon request to the Corporate Secretary. The Nominating Committee held one meeting in Fiscal 2014.

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Annual compensation for non-employee directors for Fiscal 2014 was comprised of equity compensation, consisting of awards of restricted Class B Common Stock, and cash compensation. Each of these components is described in more detail below. Compensation for non-employee directors was reduced as of January 1, 2014 to no longer include committee fees, as described below.

### Director Equity Grants

During Fiscal 2014, pursuant to the Company's 2005 Plan, each non-employee director of the Company who was determined to be independent received, on January 6, 2014, an automatic grant of 4,000 shares of the Company's restricted Class B Common Stock, which vested immediately upon grant. A new director who becomes a member of the Board of Directors during the course of the calendar year receives an automatic grant on the date that he or she becomes a director in the amounts specified above, pro rated based on the calendar quarter of the year in which such person became a director. The stock is granted on a going forward basis, before the director completes his or her service for the calendar year. All such grants of stock to non-employee directors are subject to certain terms and conditions described in the Company's 2005 Plan.

### Director Board Retainers

Each non-employee director of the Company receives an annual cash retainer of \$50,000. Commencing in January 1, 2014, such payment is made quarterly provided the non-employee director attended at least 75% of the regularly scheduled meetings of the Board of Directors that quarter. Prior to January 1, 2014, the annual cash retainer was paid annually at the end of the calendar year. The annual cash retainer is pro-rated (by calendar quarter based on the calendar quarter when service on the Board of Directors began or ended) for non-employee directors who join the Board of Directors or depart from the Board of Directors during the calendar year, if such director attended 75% of the applicable board meetings for such quarter. The Company's Chief Executive Officer may, in his discretion, waive the requirement of 75% attendance by a director to receive the retainer in the case of mitigating circumstances.

### Committee Fees

Non-employee directors who served on committees of the Board of Directors during Fiscal 2013 received the following annual fees: \$25,000 for service on the Audit Committee, \$15,000 for service on the Compensation Committee and \$10,000 for service on the Corporate Governance Committee. The members of the Nominating Committee did not receive payment from the Company for their service on this committee. Committee fees were paid quarterly to committee members who attended at least 75% of the meetings of each committee's regularly scheduled meetings during a calendar quarter. In October 2013, the Board determined that non-employee directors will no longer receive annual cash fees for committee service, effective January 1, 2014.

### Lead Independent Director

In October 2013, the Board determined that the Lead Independent Director would receive an annual cash retainer of \$50,000, effective January 1, 2014, to be paid quarterly upon the completion of each quarter of service. Eric Cosentino has served as the Lead Independent Director since December 17, 2009.

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### 2014 Director Compensation Table

The following table lists Fiscal 2014 compensation for any person who served as a non-employee director during Fiscal 2014. This table does not include compensation to Howard S. Jonas or Bill Pereira as they are also employees of the Company and do not receive any compensation for service as directors.

Name	Dates of Board Service During Fiscal 2014	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	All Other Compensation (\$) <sup>(6)</sup>	Total (\$)
Lawrence E. Bathgate II	08/01/2013 12/16/2013	\$ 50,000 <sup>(1)</sup>	\$ 0	\$ 0	\$ 50,000
Michael Chenkin	10/29/2013 07/31/2014	\$ 25,000 <sup>(2)</sup>	\$ 117,978 <sup>(5)</sup>	\$ 2,422	\$ 145,400
Eric F. Cosentino	08/01/2013 07/31/2014	\$ 100,000 <sup>(3)</sup>	\$ 71,840 <sup>(6)</sup>	\$ 940	\$ 172,780
Judah Schorr	08/01/2013 07/31/2014	\$ 75,000 <sup>(4)</sup>	\$ 71,840 <sup>(7)</sup>	\$ 1,360	\$ 148,200

- (1) Consists of (a) \$25,000, which represents the portion of the calendar 2013 annual Board of Directors retainer paid for Fiscal 2014 and (b) \$25,000 which represents Board Committee Fees for the period from August 1, 2013 – December 31, 2013.
- (2) Represents annual Board of Directors retainer for the period January 1, 2014 to June 30, 2014.
- (3) Consists of (a) \$25,000, which represents the portion of the calendar 2013 annual Board of Directors retainer paid for Fiscal 2014, (b) \$25,000, which represents Board Committee Fees for the period from August 1, 2013 – December 31, 2013, (c) \$25,000, which represents annual Board of Directors retainer for the period January 1, 2014 to June 30, 2014; and (d) \$25,000, which represents the Lead Independent Director Fee for the period January 1, 2014 (when such fee was instituted) to June 30, 2014.
- (4) Consists of (a) \$25,000, which represents the portion of the calendar 2013 annual Board of Directors retainer paid for Fiscal 2014, (b) \$25,000, which represents Board Committee Fees for the period from August 1, 2013 – December 31, 2013 and (c) 25,000, which represents annual Board of Directors retainer for the period January 1, 2014 (when such fee was instituted) to June 30, 2014.
- (5) Represents (a) the grant date fair value of an award of 2,083 shares of the Company’s Class B common Stock on October 29, 2013 computed in accordance with FASB ACS Topic 718R, as Mr. Chenkin was elected in October 2013, and (b) the grant date fair value of an award of 4,000 shares of the Company’s Class B Common stock on January 6, 2014 computed in accordance with FASB ACS Topic 718R.
- (6) Represents the grant date fair value of an award of 4,000 shares of the Company’s Class B Common stock on January 6, 2014 computed in accordance with FASB ACS Topic 718R.
- (7) Represents dividends paid during Fiscal 2014 on shares of vested Class B Common Stock that were granted to the non-employee directors during Fiscal 2014.

As of July 31, 2014, non-employee directors held the following shares of the Company’s Class B Common Stock granted for their service as directors. Non-employee directors did not hold any options to purchase shares of the Company’s capital stock as of July 31, 2014.

Name	Class B Common Stock
Michael Chenkin	6,083
Eric F. Cosentino	1,532
Judah Schorr	51,287

## RELATED PERSON TRANSACTIONS

### Review of Related Person Transactions

The Board of Directors has adopted a Statement of Policy with respect to Related Person Transactions, which is administered by the Corporate Governance Committee. This policy covers any transaction or series of transactions in which the Company or a subsidiary is a participant, the amount involved exceeds \$120,000 and a Related Person has a direct or indirect material interest. Related Persons include directors, director nominees, executive officers, any beneficial holder of more than 5% of any class of the Company’s voting securities, and any immediate family member of any of the foregoing persons. The policy also covers transactions which, despite not meeting all of the criteria set forth above, would otherwise be considered material to investors based on qualitative factors, as determined by the Corporate Governance Committee with input from the Company’s management and advisors. Transactions that fall within the definition are considered by the Corporate Governance Committee for approval, ratification or other action. Based on its consideration of all of the relevant facts and circumstances, the Corporate Governance Committee will decide whether or not to approve such transactions and will approve only those transactions that are in the best interests of the Company and its stockholders. If the Company becomes aware of an existing Related Person Transaction that has not been approved under this Policy, the matter will be referred to the Corporate Governance Committee. The Corporate Governance Committee will

evaluate all options available, including ratification, revision or termination of such transaction.

**Transactions with Related Persons, Promoters and Certain Control Persons**

All of the following ongoing Related Person Transactions were approved in accordance with the policy described above:

There is a father/son relationship between Howard S. Jonas, Chairman of the Board and controlling stockholder, and Shmuel Jonas, Chief Executive Officer. Howard Jonas and Shmuel Jonas total compensation during Fiscal 2014 are set forth in the Summary Compensation Table.

There is a brother/sister relationship between Howard S. Jonas, Chairman of the Board and controlling stockholder, and Joyce J. Mason, General Counsel, Corporate Secretary and Executive Vice President. Howard Jonas total compensation during Fiscal 2014 is set forth in the Summary Compensation Table. Joyce Mason's total compensation during Fiscal 2014 was \$391,183.

On October 28, 2011, the Company spun off its subsidiary, Genie Energy Ltd. ( Genie ). In connection with the spin-off, the Company and Genie entered into a Transition Services Agreement, dated October 28, 2011 (the Genie TSA ), pursuant to which the Company provides certain services to Genie, which is controlled by Howard S. Jonas. Howard Jonas is also the Chief Executive Officer of Genie. The services include, but are not limited to, services relating to human resources, employee benefits administration, finance, accounting, tax, internal audit, facilities, investor relations and legal. Furthermore, the Company granted Genie a license to use the IDT name for its Retail Energy Provider business. Genie paid IDT a total of \$3,544,626 for services provided by IDT pursuant to the Genie TSA during Fiscal 2014. As of July 31, 2014, Genie owed the Company \$555,672 for services provided under the Genie TSA. Additionally, Genie provided human resource services to IDT pursuant to the TSA. IDT paid Genie a total of \$319,833 for services provided by Genie pursuant to the Genie TSA during Fiscal 2014. As of July 31, 2014, IDT owed Genie \$160,447 for services provided under the Genie TSA.

IDT Energy, a subsidiary of Genie, paid \$114,776 during Fiscal 2014 for termination of its toll free numbers by IDT Telecom.

On July 31, 2013, the Company spun off its subsidiary, Straight Path Communications Inc. ( SPCI ). In connection with the spin-off, the Company and SPCI entered into a Transition Services Agreement, dated July 31, 2013 (the SPCI TSA ), pursuant to which the Company provides certain services to SPCI, the Chief

Executive Officer of which is Davidi Jonas, son of Howard S. Jonas. The services include, but are not limited to, services relating to human resources, finance, accounting, tax, facilities, investor relations and legal. SPCI paid IDT a total of \$649,812 for services provided by IDT pursuant to the SPCI TSA during Fiscal 2014. As of July 31, 2014, SPCI owed IDT \$79,065 for services provided under the SPCI TSA.

IDT Domestic Telecom, Inc., a subsidiary of the Company, leases space at 3220 Arlington Avenue, Bronx NY. The property is owned by Arlington Suites, LLC, a company jointly owned by Shmuel Jonas and Howard Jonas. The initial lease expired at the end of April 2012, but IDT Domestic Telecom continued to occupy the space. For the six month period from May 1, 2012 until October 31, 2012, IDT Domestic Telecom was charged a total of \$34,513. The parties entered into a new lease, which became effective November 1, 2012 and had a one-year term, with a one-year renewal option for IDT Domestic Telecom with the same terms, which option has been exercised, and the lessee is currently a month-to-month tenant. The new lease covers 1,465 square feet of office space, at an annual rental rate of \$25 per square foot, 1,240 square feet of storage space, at an annual rental rate of \$15 per square foot, and five parking spaces, at a monthly rental rate of \$230 per space, for a total annual rent of \$69,025. The Company has determined that the space is well suited and located to meet the needs of IDT Domestic Telecom, and that the terms of the lease, including the rental price, are in accord with the terms for comparable commercial space in the area.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of the Company's Class A Common Stock and Class B Common Stock by (i) each person known by the Company to be the beneficial owner of more than 5% of the outstanding shares of the Class A Common Stock or the Class B Common Stock of the Company, (ii) each of the Company's directors, director nominees, and the Named Executive Officers (who are listed under Executive Compensation below), and (iii) all directors, Named Executive Officers and executive

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officers of the Company as a group. Unless otherwise noted in the footnotes to the table, to the best of the Company's knowledge, the persons named in the table have sole voting and investing power with respect to all shares indicated as being beneficially owned by them.

Unless otherwise noted, the security ownership information provided below is given as of October 21, 2014 and all shares are owned directly. Percentage ownership information is based on the following amount of outstanding shares: 1,574,326 shares of Class A Common Stock and 21,631,312 shares of Class B Common Stock. The ownership numbers reported for Howard Jonas assume the conversion of all 1,574,326 currently outstanding shares of Class A Common Stock into Class B Common Stock.

Name	Number of Shares of Class B Common Stock	Percentage of Ownership of Class B Common Stock	Percentage of Aggregate Voting Power <sup>&amp;agr;</sup> :
Howard S. Jonas 520 Broad Street Newark, NJ 07102	4,377,917 <sup>(1)</sup>	18.9%	72.7% <sup>(2)</sup>
Shmuel Jonas	107,375 <sup>(3)</sup>	*	*
Marcelo Fischer	47,597 <sup>(4)</sup>	*	*
Bill Pereira	53,186 <sup>(5)</sup>	*	*
Menachem Ash	18,496 <sup>(6)</sup>	*	*
Michael Chenkin	6,083	*	*
Eric F. Cosentino	1,532	*	*
Judah Schorr	51,287	*	*
All directors, Named Executive Officers and other executive officers as a group (10) persons)	4,741,922 <sup>(7)</sup>	20.4% <sup>(8)</sup>	73.1%

\* Less than 1%.

<sup>δ</sup> Voting power represents combined voting power of Class A Common Stock (three votes per share) and Class B Common Stock (one-tenth of one vote per share). Excludes stock options.

(1) Consists of an aggregate of: (a) 1,574,326 shares of Class A Common Stock held by Howard Jonas directly; and (b) 2,803,586 shares of Class B Common Stock, consisting of: (i) 257,757 shares held by Howard Jonas directly; (ii) an aggregate of 7,780 shares held in custodial accounts for the benefit of certain children of Howard Jonas (of which Howard Jonas is the custodian); (iii) 1,462,168 shares owned by the Howard S. Jonas 2009 Annuity Trust II; (iv) 1,031,026 shares owned by the Howard S. Jonas 2014 Annuity Trust; (v) 42,414 unvested restricted shares held by Howard Jonas directly; and (vi) 2,641 shares held by Howard Jonas in his 401(k) plan account as of September 30, 2014. Howard Jonas, with his wife Deborah Jonas, is the co-trustee of the Howard S. Jonas 2009 Annuity Trust II. Howard Jonas is the trustee of the Howard S. Jonas 2014 Annuity Trust. The foregoing does not include 197,641 shares of Class B Common Stock owned by the Jonas Foundation and 248,433 shares of Class B Common Stock owned by the Howard S. and Deborah Jonas Foundation, Inc., as Howard Jonas does not beneficially own these shares. The foregoing also does not include an aggregate of 1,502,619 shares of Class B Common Stock beneficially owned by trusts for the benefit of children of Howard Jonas, as Howard Jonas does not exercise or share voting or investment control of these shares.

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(2) Howard Jonas entered into a voting agreement with the Company, dated December 2, 2010, pursuant to which Howard Jonas agreed to refrain from voting any shares that Howard Jonas controls that represent more than 76.1% of the combined voting power of the Company's outstanding capital stock.

(3) Consists of (a) 72,129 restricted shares of Class B Common Stock, (b) 33,690 shares of Class B Common Stock owned directly, and (c) 1,556 shares of Class B Common Stock owned by Shmuel Jonas's wife.

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- (4) Consists of (a) 15,000 shares of restricted Class B Common Stock, (b) 2,042 shares of Class B Common Stock held by Mr. Fischer in his 401(k) plan account as of September 30, 2014, and (c) 30,555 shares of Class B Common Stock of the Company issuable upon the exercise of stock options exercisable within 60 days.
- (5) Consists of (a) 24,839 shares of Class B Common Stock held directly, (b) 8,333 shares of restricted Class B Common Stock (c) 2,042 shares of Class B Common Stock held by Mr. Pereira in his 401(k) plan account as of September 30, 2014, and (d) 17,972 shares of Class B Common Stock of the Company issuable upon the exercise of stock options exercisable within 60 days.
- (6) Consists of (a) 14,000 restricted shares of Class B Common Stock, (b) 2,883 shares of Class B Common Stock owned directly, and (c) 1,613 shares of Class B Common Stock held by Mr. Ash in his 401(k) plan account as of September 30, 2014.
- (7) Consists of the shares and options set forth above with respect to the Named Executive Officers and directors (including Howard Jonas shares of Class A Common, which are convertible into Class B Comm