

J2 GLOBAL COMMUNICATIONS INC
Form DEF 14A
September 18, 2007

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934

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

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

j2 GLOBAL COMMUNICATIONS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

j2 Global Communications, Inc.
6922 Hollywood Boulevard, Suite 500
Los Angeles, California 90028

Dear Stockholder:

We cordially invite you to attend j2 Global Communications, Inc.'s Special Meeting of Stockholders. The meeting will be held on Thursday, October 25, 2007, at 10:00 a.m. local time at the Hollywood Roosevelt Hotel, 7000 Hollywood Boulevard, Los Angeles, California 90028.

At the meeting, stockholders will vote on one proposal – the approval of a new stock plan. Please take the time to carefully read the proposal described in the attached proxy statement and to vote your shares on the enclosed proxy card.

Thank you for your support of j2 Global Communications.

Sincerely,

Richard S. Ressler
Chairman of the Board

This proxy statement and the accompanying proxy card are being mailed to j2 Global Communications, Inc.'s stockholders beginning about September 21, 2007.

j2 Global Communications, Inc.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held on October 25, 2007

We will hold a Special Meeting of Stockholders of j2 Global Communications, Inc., a Delaware corporation, at the Hollywood Roosevelt Hotel, 7000 Hollywood Boulevard, Los Angeles, California 90028, on Thursday, October 25, 2007, at 10:00 a.m. local time, for the following purposes:

1. To approve j2 Global's 2007 Stock Plan; and
2. To transact such other business as may properly come before the meeting and any adjournment(s) and postponement(s) thereof.

The foregoing items of business are more fully described in the Proxy Statement which is attached to and made a part of this Notice.

The Board of Directors has fixed the close of business on September 4, 2007 as the record date for determining the stockholders entitled to receive notice of and to vote at the Special Meeting and any adjournment or postponement thereof.

All stockholders are cordially invited to attend the Special Meeting in person. However, whether or not you plan to attend the Special Meeting in person, you are urged to mark, date, sign and return the enclosed proxy card as promptly as possible to ensure your representation and the presence of a quorum at the Special Meeting. If you submit your proxy and then decide to attend the Special Meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

By Order of the Board of Directors,

Jeffrey D. Adelman
Vice President, General Counsel and Secretary

September 21, 2007
Los Angeles, California

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j2 Global Communications, Inc.

6922 Hollywood Boulevard, Suite 500, Los Angeles, California 90028

September 21, 2007

PROXY STATEMENT

ABOUT THE SPECIAL MEETING

Who Is Soliciting My Vote?

The Board of Directors of j2 Global Communications, Inc. (“j2 Global” or the “Company”) is soliciting your vote at the Special Meeting of j2 Global’s stockholders.

What Will I Be Voting On?

A proposal to approve the 2007 Stock Plan (see page 3).

How Many Votes Do I Have?

You will have one vote for every share of j2 Global common stock you owned on September 4, 2007 (the record date).

How Many Votes Can Be Cast By All Stockholders?

49,746,690, which represents the total number of shares of j2 Global common stock that were outstanding on the record date.

How Many Votes Must Be Present to Hold the Meeting?

A majority of the votes that can be cast, or 24,873,346 votes. We urge you to vote by proxy even if you plan to attend the Special Meeting, so that we will know as soon as possible that enough votes will be present for us to hold the Special Meeting.

What is the Required Vote to Approve the Proposal?

Approval of the 2007 Stock Plan requires the affirmative vote of holders of a majority of the shares of common stock present or represented and entitled to vote at the Special Meeting.

How Do I Vote?

You can vote either in person at the Special Meeting, by proxy without attending the Special Meeting or as otherwise provided in this mailing.

To vote by proxy, you must fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope.

If you want to vote in person at the Special Meeting, and you hold your j2 Global stock through a securities broker (that is, in street name), you must obtain a proxy from your broker and bring that proxy to the Special Meeting.

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Can I Revoke My Proxy?

Yes. Just send in a new proxy card with a later date or send a written notice of revocation to j2 Global's Secretary at 6922 Hollywood Boulevard, Suite 500, Los Angeles, California 90028, attention: Legal Department. In addition, if you attend the Special Meeting and want to vote in person, you can request that your previously submitted proxy not be used. Attendance at the Special Meeting will not by itself revoke a proxy.

What If I Don't Vote For a Matter Listed On My Proxy Card?

If you return a proxy card without indicating your vote, your shares will be voted FOR approval of j2 Global's 2007 Stock Plan and otherwise in accordance with the judgment of the person or persons voting the proxy on any other matter properly brought before the Special Meeting.

What If I Vote "Abstain"?

Abstentions are counted for purposes of determining whether a quorum is present for transaction of business at the Special Meeting. An abstention has the same effect as a vote against the proposal to approve the 2007 Stock Plan.

Can My Shares Be Voted If I Don't Return My Proxy Card and Don't Attend the Special Meeting?

Since the only proposal scheduled to come before the Special Meeting is the approval of the 2007 Stock Plan, if you don't vote your shares held in street name, your broker will not be able to vote your shares. As a result, your shares will not be voted, will not be counted for purposes of determining whether a quorum is present for transaction of business at the Special Meeting and will have no effect on the proposal to approve the 2007 Stock Plan.

If you don't vote your shares registered in your name, your shares will not be voted, will not be counted for purposes of determining whether a quorum is present for transaction of business at the Special Meeting and will have no effect on the proposal to approve the 2007 Stock Plan.

What Happens if the Meeting is Postponed or Adjourned?

Your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Who Can I Contact if I Have Questions Concerning the Special Meeting?

If you have any further questions about voting your shares or attending the Special Meeting please call or email our Investor Relations Department at 323-657-5371 or investor@j2global.com.

APPROVAL OF 2007 STOCK PLAN

In March 2007 the Company's Board of Directors approved the j2 Global Communications, Inc. 2007 Stock Plan (the "Original 2007 Plan"). The Original 2007 Plan was intended to replace the Company's Second Amended and Restated 1997 Stock Option Plan (the "1997 Plan"), which the stockholders previously approved, and which will expire in November 2007 in accordance with its terms.

In May 2007, the Company submitted the Original 2007 Plan for approval to its stockholders at the Company's 2007 annual meeting of stockholders. The Original 2007 Plan was not approved at that meeting. In response, in August 2007, the Board of Directors approved the following modifications to the Original 2007 Plan. The Board of Directors:

- limited to 356,000 the number of stock-based awards that may be granted under the 1997 Plan from June 30, 2007 until the date of this Special Meeting;
 - eliminated the provision in the Original 2007 Plan providing the ability to re-price stock options;
- lowered from five million to 4.5 million the number of shares of j2 Global common stock permitted for plan uses under the 2007 Plan; and
- prohibited any additional grants or awards under the 1997 Plan upon stockholder approval of this revised plan; however, the 1997 Plan will continue to govern options and restricted share awards previously granted under it.

The Company is seeking its stockholders' approval of this modified 2007 Stock Plan (the "2007 Plan"). A copy of the 2007 Plan is attached to this Proxy Statement as "Exhibit A."

j2 Global believes that approval of the 2007 Plan is important in attracting and retaining employees, directors and consultants in a competitive labor market, which is essential to the Company's long-term growth and success. In fact, if the 2007 Plan is not approved at this Special Meeting, it will not become effective and j2 Global will not have any plan available for the issuance of stock options or other equity awards to its employees, directors or consultants after the expiration of the 1997 Plan in November 2007. We believe this could materially harm our ability to attract and retain employees, directors and consultants and this could, in turn, materially harm our Company and its business operations and financial results.

The 2007 Plan appoints the Compensation Committee of j2 Global's Board of Directors as the 2007 Plan administrator and provides the Compensation Committee discretionary authority from time to time to give to employees of j2 Global or a subsidiary, members of the Company's Board of Directors and consultants selected by the Compensation Committee certain awards in the form of stock options, including incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, stock appreciation rights, restricted stock, restricted stock units, performance shares and share units and other stock-based awards. Prior to the granting of any equity incentive awards, the Compensation Committee forwards its equity incentive award recommendations to the full Board of Directors and the Board votes to approve the recommendations, with those members of the Board who are not considered outside directors under Section 162(m) of the Internal Revenue Code abstaining.

As the 2007 Plan administrator, the Compensation Committee would determine the terms of the awards granted, including the exercise price of each option, the number of shares subject to each option and covered by each restricted stock or other award and the vesting or similar terms of each option and

restricted stock or other award. The 2007 Plan administrator also has the full power to select the individuals to whom options and restricted stock or other awards will be granted and to make any combination of grants to any participants.

On August 3, 2007, the Board of Directors approved annual stock option grants and restricted stock awards to each director at the first scheduled Compensation Committee and Board meeting following each annual meeting of stockholders, commencing with the 2008 annual meeting, as follows:

- options to purchase shares of the Company's common stock with an aggregate exercise price of \$300,000; and
- restricted shares of the Company's common stock with a fair market value of \$100,000 on the date of grant.

Assuming approval by the stockholders of the 2007 Plan, these grants would be made under the 2007 Plan.

In addition, the 2007 Plan would permit grants of options under it in substitution for options held by employees of other companies who become eligible to receive options under the 2007 Plan as a result of a merger, consolidation, reorganization or similar event. The terms and conditions of those sorts of 2007 Plan options may vary from the terms and conditions otherwise contemplated by the 2007 Plan, to the extent deemed appropriate by the Compensation Committee in order to conform the terms and conditions of the new options with those of the options they replace.

Subject to adjustment for recapitalization events, Section 3.2 of the 2007 Plan currently sets the maximum number of shares of common stock that may be used for 2007 Plan purposes at 4.5 million. Available shares can be used for any of the purposes authorized by the 2007 Plan.

The 2007 Plan provides that shares underlying 2007 Plan options that expire or are cancelled unexercised, and any restricted shares that are forfeited on which no dividends have been paid (or on which dividends have been paid if the dividends also are forfeited) would again become available for 2007 Plan purposes.

Having considered these matters, the Company's Board of Directors has determined that it is in the best interests of j2 Global and its stockholders to approve the 2007 Plan. Stockholder approval of the 2007 Plan is required by federal tax provisions relating to incentive stock options and by NASD rules that apply to us. After approval of the 2007 Plan, the Board of Directors may generally amend the 2007 Plan at any time without the approval of the Company's stockholders, except as may be required by law or stock exchange rules.

Although j2 Global's Board adopted the 2007 Plan primarily for the reasons discussed above, you should keep in mind that any or all of the shares authorized under the 2007 Plan also could be used for grants to any of the Company's current executive officers, other officers or directors, as well as to other employees or consultants. Due to the discretionary nature of the 2007 Plan, j2 Global cannot predict the extent of additional benefits that any individual or category of eligible individual ultimately will receive under it.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" APPROVAL OF THE 2007 STOCK PLAN.

DIRECTOR COMPENSATION

Each director, except Richard S. Ressler, receives an annual retainer of \$50,000. In addition to the annual retainer, the Chair of each of the Audit, Compensation, Corporate Governance and Nominating, and Investor Relations Committees receives \$10,000 per annum. Mr. Ressler is separately compensated for his services as Chairman of the Board pursuant to a consulting agreement between the Company and Orchard Capital Corporation, a company controlled by Mr. Ressler. Under this consulting arrangement, which runs for consecutive six-month terms, Orchard Capital receives compensation of \$275,000 per year. The agreement is terminable by either party by written notice delivered at least 30 days prior to commencement of the next six-month term.

j2 Global's directors are eligible to participate in the 1997 Plan. If approved, j2 Global's directors will also be eligible to participate in the 2007 Stock Plan. During 2006, j2 Global did not make any equity-based awards to its directors and no directors exercised any j2 Global options or warrants.

On August 3, 2007, the Company granted each of Messrs. Ressler, Bech, Cresci, Rieley and Schulhof 9,000 options to purchase shares of j2 Global common stock, and awarded each of them 3,000 restricted shares of the Company's common stock. In addition, the Company granted 33,000 options to purchase shares of j2 Global common stock, as well as 11,000 restricted shares of the Company's common stock to William Brian Kretzmer and Stephen Ross, two newly appointed independent members of the Company's Board of Directors. Messrs. Kretzmer's and Ross's appointments were effective July 24, 2007, and filled two vacancies created by an increase in the size of the Board of Directors from five to seven. Their terms on the Board of Directors will expire at j2 Global's annual meeting of stockholders in 2008.

On August 3, 2007, the Board of Directors also approved annual stock option grants and restricted stock awards to each director at the first scheduled Compensation Committee and Board meeting following each annual meeting of stockholders, commencing with the 2008 annual meeting, as follows:

- options to purchase shares of the Company's common stock with an aggregate exercise price of \$300,000; and
- restricted shares of the Company's common stock with a fair market value of \$100,000 on the date of grant.

In order to avoid potential taxation under Internal Revenue Code Section 409A, in December 2006 the Company offered each named executive officer and director the option to increase the exercise price of certain of their stock options. In connection with these amendments, in 2007 the Company made compensating payments to each such named executive officer and Board member to reflect the decreased value of their stock options due to the increase in exercise price.

The following table contains information with respect to the compensation of the Company's directors for the fiscal year ended December 31, 2006.

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Richard S. Ressler	\$275,000	–	–	–	–	–	\$275,000
John F. Rieley	\$ 60,000 (1)	–	–	–	–	–	\$ 60,000
Michael P. Schulhof	\$ 60,000	–	–	–	–	–	\$ 60,000
Robert J. Cresci	\$ 60,000	–	–	–	–	–	\$ 60,000
Douglas Y. Bech	\$ 50,000	–	–	–	–	–	\$ 50,000

(1) Mr. Rieley also received consulting fees of \$100,000 for international public relations services.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information Regarding Beneficial Ownership of Principal Stockholders

The following table contains information regarding the beneficial ownership of the Company's common stock (using information as of the dates indicated) by the stockholders the Company believes beneficially own more than five percent of the Company's outstanding shares of common stock. The percentage of ownership is calculated using the number of outstanding shares on July 31, 2007.

Name	Number of Shares Beneficially Owned⁽¹⁾	Approximate Percentage
FMR Corp. 82 Devonshire Street, Boston, Massachusetts 02109	5,082,441 ⁽²⁾	10.26%
Munder Capital Management 480 Pierce Street Birmingham, Michigan 48009	4,193,612 ⁽³⁾	8.46%

William Blair & Company, L.L.C.

222 W. Adams

Chicago, Illinois 60606

7,025,781⁽⁴⁾

14.18%

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- (1) As of July 31, 2007, 49,549,935 shares of j2 Global common stock were outstanding.
- (2) Based upon information as of April 30, 2007 set forth in stockholder's Schedule13G filed with the Securities and Exchange Commission on May 10, 2007.
- (3) Based upon information as of December 31, 2006 set forth in stockholder's Schedule13G/A filed with the Securities and Exchange Commission on February 14, 2007.
- (4) Based upon information as of December 31, 2006 set forth in stockholder's Schedule13G/A filed with the Securities and Exchange Commission on January 17, 2007.

Information Regarding Beneficial Ownership of Management

The following table sets forth certain information that has been provided to the Company with respect to beneficial ownership of shares of the Company's common stock as of July 31, 2007 by: (i) each director and nominee for director of the Company, (ii) each of the named executive officers and (iii) all directors and executive officers of the Company as a group:

Name ⁽¹⁾	Number of Shares Beneficially Owned ⁽²⁾	Approximate Percentage
Richard S. Ressler	2,405,850 ⁽³⁾	4.74%
Douglas Y. Bech	294,468 ⁽⁴⁾	*
Robert J. Cresci	312,000 ⁽⁵⁾	*
W. Brian Kretzmer	11,000 ⁽⁶⁾	
John F. Rieley	60,000 ⁽⁷⁾	*
Stephen Ross	11,000 ⁽⁸⁾	
Michael P. Schulhof	72,000 ⁽⁹⁾	*
Nehemia Zucker	95,000 ⁽¹⁰⁾	*
R. Scott Turicchi	808,710 ⁽¹¹⁾	1.61%
Jeffrey D. Adelman	34,285 ⁽¹²⁾	*
Kathleen M. Griggs ⁽¹³⁾	30,000 ⁽¹⁴⁾	*
Greggory Kalvin ⁽¹⁵⁾	—	*
All directors and named executive officers as a group (12 persons)	4,197,698 ⁽¹⁶⁾	7.94%

* Less than 1%

(1) The address for all executive officers, directors and director nominees is c/o j2 Global Communications, Inc., 6922 Hollywood Blvd., Suite 500, Los Angeles, CA 90028.

(2) As of July 31, 2007, 49,549,935 shares of j2 Global common stock were outstanding.

(3) Consists of 1,156,850 shares of stock, including 18,000 shares of unvested restricted stock, and options to acquire 1,249,000 shares of j2 Global common stock that are exercisable within 60 days of the record date for the Special Meeting of Stockholders.

(4) Consists of 94,404 shares of j2 Global common stock, including 18,000 shares of unvested restricted stock, owned by Douglas Y. Bech, 10,052 shares of stock owned by the AYBech Trust of 1984, 10,052 shares of stock owned by the KEBech Trust of 1984, and options to acquire 200,064 shares of j2 Global common stock that are exercisable within 60 days of the record date for the Special Meeting of Stockholders. Mr. Bech is the trustee of the AYBech Trust of 1984 and of the KEBech Trust of 1984, but has disclaimed beneficial ownership of any shares of j2 Global common stock in which he has no pecuniary interest.

(5) Consists of 23,000 shares of j2 Global common stock, including 18,000 shares of unvested restricted stock, and options to acquire 289,000 shares of j2 Global common stock that are exercisable within 60 days of the record date

for the Special Meeting of Stockholders.

(6) Consists of 11,000 shares of unvested restricted stock of j2 Global.

(7) Consists of 23,000 shares of j2 Global common stock, including 18,000 shares of unvested restricted stock, and options to acquire 37,000 shares of j2 Global common stock that are exercisable within 60 days of the record date for the Special Meeting of Stockholders.

(8) Consists of 11,000 shares of unvested restricted stock of j2 Global.

(9) Consists of 23,000 shares of j2 Global common stock, including 18,000 shares of unvested restricted stock, and options to acquire 49,000 shares of j2 Global common stock that are exercisable within 60 days of the record date for the Special Meeting of Stockholders.

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- (10) Consists of 59,000 shares of j2 Global common stock, including 50,000 shares of unvested restricted stock, and options to acquire 36,000 shares of j2 Global common stock that are exercisable within 60 days of the record date for the Special Meeting of Stockholders.
- (11) Consists of 178,710 shares of j2 Global common stock, including 45,250 shares of unvested restricted stock, and options to acquire 630,000 shares of j2 Global common stock that are exercisable within 60 days of the record date for the Special Meeting of Stockholders.
- (12) Consists of 22,285 shares of j2 Global common stock, including 18,000 shares of unvested restricted stock, and options to acquire 12,000 shares of j2 Global common stock that are exercisable within 60 days of the record date for the Special Meeting of Stockholders.
- (13) Effective June 1, 2007, the Company appointed Kathleen M. Griggs as Chief Financial Officer of the Company.
- (14) Consists of 30,000 shares of unvested restricted stock of j2 Global.
- (15) Effective June 1, 2007, Gregory Calvin no longer served as Chief Accounting Officer of the Company and was no longer a named executive officer. Mr. Calvin resigned as an employee of the Company effective July 16, 2007.
- (16) Consists of 4,134,313 shares of j2 Global common stock, including 255,250 shares of unvested restricted stock, and options to acquire 2,502,064 shares of j2 Global common stock that are exercisable within 60 days of the record date for the Special Meeting of Stockholders.

EXECUTIVE COMPENSATION

Compensation Disclosure and Analysis

General

The Compensation Committee of j2 Global's Board of Directors:

- administers the Company's compensation programs, including its stock option and employee stock purchase plans;
- recommends to the Board, for approval by a majority of independent directors, the compensation to be paid to the Company's executives;
- recommends to the Board of Directors changes to j2 Global's compensation policies and benefits programs; and
- otherwise seeks to ensure that j2 Global's compensation philosophy is consistent with j2 Global's best interests and is properly implemented.

The Compensation Committee currently is comprised of three non-employee directors whom the Board has determined are independent for purposes of Nasdaq Marketplace Rule 4350.

Compensation Philosophy and Objectives

The Company's executive compensation program is designed to attract, retain and motivate the Company's executive officers in a manner that is tied directly to achievement of the Company's overall operating and financial goals, and thereby increase j2 Global's overall equity value.

Compensation for j2 Global's executives, including for 2006 and 2007, consists of salary, participation in an executive bonus program and stock option grants and restricted stock awards. The

Company's Compensation Committee has not adopted any formal policy for allocating compensation between long-term and short-term, between cash and non-cash, or among different forms of non-cash compensation. Rather, the Committee helps the Board of Directors assess past performance and anticipated future contribution of each executive officer in recommending to the Board of Directors, for approval by a majority of independent directors, the total amount and mix of each element of compensation. The Co-Presidents as well as the Chairman of the Board participate actively in this process, with the Co-Presidents being primarily responsible for establishing compensation payable to non-executive officers. In setting compensation for any given year, the Compensation Committee generally does not consider the amount of compensation from prior periods or amounts realizable from prior compensation.

The Company's compensation objective is to link compensation to continuous improvements in corporate performance and increase in stockholder value. The Company's executive compensation program goals include the following:

- To establish pay levels that attract, retain and motivate highly qualified executive officers while considering the overall market competitiveness for such executive talent and balancing the relationship between total stockholder return and direct compensation;
 - To align executive officer remuneration with the interests of the stockholders;
 - To recognize superior individual performance;
- To balance base and incentive compensation to complement the Company's annual and longer term business objectives and strategies and encourage the fulfillment of those objectives and strategies through executive officer performance; and
 - To provide compensation opportunities based on the Company's performance.

Compensation Components

Executive compensation consists of the following elements:

Salary. Base salaries are evaluated annually for all executive officers. In determining appropriate salary levels for such officers to recommend to the Board of Directors for its approval, the Compensation Committee considers, among other factors, the officer's scope of responsibility, prior experience, and past performance and data on prevailing compensation levels in relevant markets for executive talent. The Compensation Committee generally targets executive salaries above the 25th percentile for comparable positions based upon compensation survey information j2 Global purchases which discloses aggregated compensation data for a group of unidentified companies with similar characteristics as j2 Global in terms of revenues, number of employees and other similar factors. The Compensation Committee conducts an annual review of executive salaries against this survey information to help ensure that executive salaries remain in line with the Compensation Committee's target range. In approving salary increases during 2006 and 2007, the Compensation Committee considered not only the survey information, but also the Company's and individuals' performance.

Bonus. j2 Global has established an executive bonus program for awarding bonuses to the Company's senior executives, including the named executive officers. Bonus guidelines under the program are established each year and are designed to encourage and reward senior management for (a) attaining Company-wide financial goals, (b) improving the financial and operational health of j2 Global, and (c) meeting or exceeding individually defined goals and objectives for each executive. The plan provides guidelines only as to payment of bonuses to executive program participants, is non-binding and does not create any contract right between the Company and the participants.

The process under this program begins with development of corporate financial targets and individual goals and objectives for each program participant. The financial objectives are generally in alignment with the Company's budget for the year. The individual goals and objectives are designed to help the Company achieve its financial goals. The corporate financial objectives and all individual goals and objectives are recommended by the Compensation Committee for approval by the Board of Directors and approved by a majority of independent directors.

Under the program, j2 Global establishes a "bonus pool" based upon an aggregate of specified percentages of base salary of all eligible executives. For 2006, the "target" bonus percentage for the Co-Presidents was 50% of their base salary. Effective August 3, 2007 the "target" bonus percentage for the Co-President and Chief Operating Officer, Nehemia Zucker, was increased to 75% of his base salary. Co-President Scott Turicchi's "target" bonus percentage for 2007 remained at 50%. For 2006, the target for the Vice President, General Counsel and Secretary was 30% and the target for the Chief Accounting Officer was 25%. Effective August 3, 2007 the "target" bonus percentage for the Vice President, General Counsel and Secretary was increased to 35%. Effective June 1, 2007, the Company appointed Kathleen M. Griggs as Chief Financial Officer of the Company. Ms. Griggs' "target" bonus percentage for 2007 is 35%. Ms. Griggs has assumed the responsibility of principal accounting officer, and, as a result, effective June 1, 2007, the Company Chief Accounting Officer position has been eliminated. The bonus pool is "funded" only if the Company achieves at least 97.5% of the budgeted net income and earnings per diluted share targets (the "Threshold Earnings Targets"). Even if those earnings targets are achieved, the pool will be funded only if they are achieved in a manner consistent with the Company achieving the pre-determined revenue and net income before taxes results (the "Other Corporate Objectives"). Once funded, it is anticipated – although not guaranteed – that the entire pool will be distributed among the eligible participants.

If the Threshold Earnings Targets are achieved, the bonus pool is funded at 100%. If less than 97.5% of the Threshold Earnings Targets are achieved, the bonus pool is not funded at all. If more than 107.51% of the Threshold Earnings Targets are achieved, the bonus pool can be funded up to 135% of the target pool amount.

The Compensation Committee and Board retain discretion to increase or decrease the funding of the bonus pool notwithstanding the achievement of these criteria based on factors they deem appropriate. In both 2005 and 2006, the Compensation Committee recommended for approval by the Board of Directors, and the three independent members of the Board of Directors approved, funding the bonus pool at 100%.

Once the bonus pool has been funded, individual bonuses are established by evaluating each executive's relative contribution to the success of the Company as a whole, as well as his or her success in meeting his or her individual objectives. Individual bonus amounts are recommended by the Compensation Committee for approval by the Board of Directors and approved by a majority of independent directors. As a result of this process, in 2006 the named executive officers were awarded the following bonuses under the 2005 executive bonus program:

Nehemia Zucker:	\$135,000
R. Scott Turicchi:	\$105,000
Jeffrey D. Adelman:	\$46,000
Greggory Calvin:	\$10,000

On March 22, 2007, through this same process the Compensation Committee unanimously recommended to the Board of Directors, and the Board approved that same day by a majority of

independent directors, the following bonuses for the Company's named executive officers under the 2006 executive bonus program:

Nehemia Zucker:	\$195,000
R. Scott Turicchi:	\$158,000
Jeffrey D. Adelman:	\$86,000
Greggory Kalvin:	\$24,000

j2 Global does not have any policy regarding the adjustment or recovery of awards under the bonus program in the event that the relevant performance measures are later restated or adjusted.

Stock Options and Restricted Stock. Stock option and restricted stock awards are designed to align the interests of executives and employees with the long-term interests of the stockholders. The Compensation Committee approves option grants and restricted stock awards subject to vesting periods to retain executives and employees and encourage sustained contributions. Awards of restricted stock are generally reserved for the most senior and critical executives. The Company does not follow a practice of making annual stock option grants or restricted stock awards to its executive officers. Rather, it makes these awards as and when it deems appropriate. The Company also sometimes approves awards in connection with promotions or significant increases in responsibility of executive officers. The Compensation Committee determines the size of option grants and restricted stock awards based upon the expected future value of those awards over the vesting period that it considers appropriate to incentivize and retain the services of executive officers while preserving shareholder value. The typical vesting period of options is four or five years, with a pro rata portion vesting on each anniversary of the date of grant. The exercise price of options is the closing market price on the date of grant. The typical vesting period of restricted stock awards is five years, vesting on the following graduated schedule on each anniversary of the date of award: 10% on the first anniversary, 15% on the second anniversary, 20% on the third anniversary, 25% on the fourth anniversary and 30% on the fifth anniversary.

Employee Stock Purchase Plan. j2 Global offers all of its employees, including the Company's executive officers, the opportunity to purchase the Company's common stock through a tax-qualified employee stock purchase plan ("ESPP"). Under the ESPP, eligible employees can withhold up to 15% of their earnings, up to certain maximums, to be used to purchase shares of j2 Global's common stock at certain plan-defined dates. The price of the common stock purchased under the ESPP for the offering periods is equal to 95% of its fair value at the end of the offering period.

Other Compensation. j2 Global's executive officers are entitled to participate in the Company's health, vision, dental, life and disability insurance plans, and the Company's tax qualified 401(k) plan, to the same extent that the Company's other employees are entitled to participate. Participants in the 401(k) plan are eligible for up to a \$500 annual Company match, which vests over a three-year period. In addition, the Company pays a higher portion of employer contributions toward premiums for executives to participate in the health, vision and dental plans.

In order to avoid potential taxation under Internal Revenue Code Section 409A, in December 2006, the Company offered each named executive officer and Board member the option to increase the exercise price of certain of their stock options. In January 2007, the Company made compensating payments to each such named executive officer and Board member to reflect the decreased value of their stock options due to the increase in exercise price.

Change in Control and Severance Arrangements. j2 Global has not provided change in control or severance arrangements to any of the Company's executive officers, except that Mr. Zucker has an employment contract with the Company that contains a severance arrangement if he is terminated without

cause. Mr. Zucker's employment agreement has no specified term and is terminable at will by either party, but provides for severance payments equal to six months' salary in the event of a termination by j2 Global without cause. In addition, in the event of a change of control, each option and each share of restricted stock will become immediately exercisable in full unless the Board of Directors determines that the holder has been offered substantially identical replacement options or replacement shares of restricted stock, as the case may be, and a comparable position at the acquiring company.

Summary

After its review of all existing programs, consideration of current market and competitive conditions, and alignment with the Company's overall compensation objectives and philosophy, the Compensation Committee believes that the total compensation program for the Company's executive officers is focused on increasing value for stockholders and enhancing the Company's performance. The Compensation Committee currently believes that a significant portion of compensation of executive officers is properly tied to stock appreciation or stockholder value through stock options and restricted stock awards and annual incentive bonus measures. The Company's Compensation Committee believes that its executive compensation levels are competitive with the compensation programs offered by other corporations with which it competes for executive talent.

Notwithstanding anything to the contrary set forth in any of j2 Global's filings under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that might incorporate future filings, including this Proxy Statement, in whole or in part, the following Compensation Committee Report shall not be deemed to be "Soliciting Material," is not deemed "filed" with the SEC and shall not be incorporated by reference into any filings under the Securities Act or Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

COMPENSATION COMMITTEE REPORT

Management of the Company has prepared the Compensation Discussion and Analysis as required by Item 402(b) of Regulation S-K, and the Compensation Committee of the Board of Directors has reviewed and discussed it with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the proxy statement for j2 Global's Special Meeting of Shareholders.

Submitted by the Compensation Committee of the Board of Directors,

Michael P. Schulhof, Chairman
Douglas Y. Bech
Robert J. Cresci

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The j2 Global Compensation Committee currently consists of Messrs. Bech, Cresci and Schulhof. j2 Global has no interlocking relationships or other transactions involving any of its Compensation Committee members that are required to be reported pursuant to applicable SEC rules. No member of the Compensation Committee has ever been an officer or employee of j2 Global.

Summary Compensation Table

The table below summarizes the total compensation earned by each of the named executive officers in 2006.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Option		Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
				Awards	Awards				
Nehemia Zucker Co-President & COO	2006	\$ 366,154	—	—	—	\$ 135,000	—	\$ 10,493	\$ 511,674
Scott Turicchi Co-President & CFO ⁽¹⁾	2006	\$ 313,846	—	—	—	\$ 105,000	—	\$ 10,493	\$ 429,339
Jeffrey D. Adelman Vice President, General Counsel & Secretary	2006	\$ 191,923	—	—	—	\$ 46,000	—	\$ 8,815	\$ 246,738
Greggory Kalvin Chief Accounting Officer ⁽²⁾	2006	\$ 137,308	—	—	—	\$ 10,000	—	\$ 7,703	\$ 155,011

(1) Effective June 1, 2007, the Company appointed Kathleen M. Griggs as Chief Financial Officer of the Company. Mr. Turicchi will continue to serve as Co-President.

(2) Effective June 1, 2007, Greggory Kalvin no longer served as Chief Accounting Officer of the Company and was no longer a named executive officer.

All Other Compensation

The following table and related footnotes describe each component of the column entitled "All Other Compensation" in the Summary Compensation Table.

Name	Year	Perquisites and Other			Company Contributions to Retirement and Severance		Change in Control		Total
		Personal Benefits (\$)	Tax Reimbursement (\$)	Insurance Premiums (\$)	401(k) Plans (\$)	Payment Accruals (\$)	Payments / Accruals (1) (\$)		
Nehemia Zucker	2006	—	—	\$ 9,993 (2)	\$ 500	—	—	\$ 10,493	
R. Scott Turicchi	2006	—	—	\$ 9,993 (2)	\$ 500	—	—	\$ 10,493	
Jeffrey D. Adelman	2006	—	—	\$ 8,315 (3)	\$ 500	—	—	\$ 8,815	
Greggory Kalvin ⁽⁴⁾	2006	—	—	\$ 7,203 (5)	\$ 500	—	—	\$ 7,703	

- (1) Mr. Zucker has a severance agreement with the Company pursuant to which he is entitled to receive severance payments equal to six months' salary in the event of a termination by j2 Global without cause.
- (2) Consists of \$9,951 in medical, dental and vision insurance premium contributions and \$41 in life insurance premium contributions for \$10,000 in life insurance benefits.
- (3) Consists of \$8,273 in medical, dental and vision insurance premium contributions and \$41 in life insurance premium contributions for \$10,000 in life insurance benefits.
- (4) Effective June 1, 2007, Greggory Kalvin no longer served as Chief Accounting Officer of the Company and was no longer a named executive officer.
- (5) Consists of \$7,161 in medical, dental and vision insurance premium contributions and \$41 in life insurance premium contributions for \$10,000 in life insurance benefits.

Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			Underlying Units (#)	All Other Awards: Number of Stock of Securities	All Option Awards: Exercise Base Price of	Grant Date Fair Value of Stock and
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Nehemia Zucker	—	—	\$ 183,077	—	—	—	—	—	—	—	—
R. Scott Turicchi	—	—	\$ 156,923	—	—	—	—	—	—	—	—
Jeffrey D. Adelman	—	—	\$ 57,577	—	—	—	—	—	—	—	—
Greggory Kalvin	—	—	\$ 34,327	—	—	—	—	—	—	—	—

(1) The Company did not grant any equity awards during the fiscal year ended December 31, 2006.

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Outstanding Equity Awards At Fiscal Year-End

The following table provides information on the holdings of stock options and restricted stock by the named executive officers at December 31, 2006. All share numbers and share prices have been retroactively restated to reflect a May 2006 two-for-one stock split effected in the form of a stock dividend.

Name	Option Awards					Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, or Other Rights That Have Not Vested	
	Number of Securities Underlying Unexercised Options (#) (1)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2)	Market Value of Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, or Other Rights That Have Not Vested (#)	Unearned Units or Shares, or Other Rights That Have Not Vested (\$)
Nehemia Zucker	46,754	—	—	\$ 3.53	6/25/2012	54,000	\$ 1,471,500	—	—
	13,246	—	—	\$ 3.53	6/25/2012				
	2,840	21,312	—	\$ 18.77	8/31/2015				
	33,160	122,688	—	\$ 18.77	8/31/2015				
R. Scott Turicchi	126,296	—	—	\$ 2.07	4/14/2010	49,500	\$ 1,348,875	—	—
	37,500	—	—	\$ 0.94	12/28/2011				
	8,000	—	—	\$ 3.53	6/25/2012				
	44,500	—	—	\$ 6.88	5/8/2013				